

SWARTLAND MUNICIPALITY



FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2010

SWARTLAND MUNICIPALITY

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SWARTLAND MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR
DEPUTY MAYOR
SPEAKER

Councillor T van Essen
Councillor M S I Goliath
Councillor A Johnson

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson	Councillor T van Essen
Member	Councillor M S I Goliath
Member	Councillor R J du Plooy
Member	Councillor J H Cleophas

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Administration and Finance Portfolio	Councillor N J A Rust
Community Safety Portfolio	Councillor W Wilskut
Development Services Portfolio	Councillor W Wilskut
Technical Services Portfolio	Councillor J Loxton

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson	Mr J M Bekker
Member	Ms M F Allie
Member	Mr C B de Jager
Member	Mr J J Scholtz

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson	Mr J M Bekker
Member	Ms M F Allie
Member	Mr C B de Jager
Member	Mr A J B Dippenaar

GRADING OF THE LOCAL AUTHORITY:

Grade 4

AUDITORS:

Auditor-General			
1 st Floor East Block			
Business Connexion Building			
Ring Road	Private Bag X 1		
Century City	Chempet	Telephone	021-528 4100
7441	7442	Fax	021-528 4201

BANKERS:

ABSA Bank			
50 Voortrekker Road	P.O. Box 75		
MALMESBURY	MALMESBURY	Telephone	022-482 7900
7300	7299	Fax	022-487 2026

REGISTERED OFFICE:

Church Street	Private Bag X 52		
MALMESBURY	MALMESBURY	Telephone	022-487 9400
7300	7299	Fax	022-487 9440

MUNICIPAL MANAGER:

J J Scholtz

DIRECTOR: FINANCIAL SERVICES:

K C Cooper

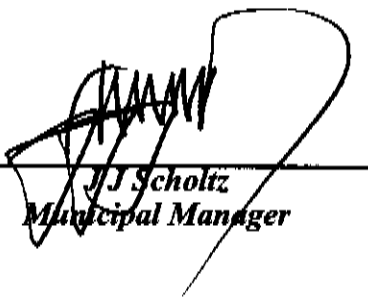
COUNCIL MEMBERS OF THE SWARTLAND MUNICIPALITY

<i>Councillor</i>	<i>Councillor</i>	<i>Councillor</i>	<i>Councillor</i>
Atkins A J	Goliath M S I	Schoor E	Stemele O M
Du Plooy R J	Johnson A	Sedeman A C	van der Westhuizen R F
Cleophas J H	Loxton J	Sneewe A M	Van Wyk J D
Fortuin C	Nqokoto N E	Solomons C W	Van Essen T
Geel B W	Rust N J A	Stanley B J	Wilskut W

SWARTLAND MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended****30 June 2010*****APPROVAL OF FINANCIAL STATEMENTS***

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 87 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



J.J. Scholtz
Municipal Manager

08/09/ 2010
Date

SWARTLAND MUNICIPALITY**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

	Note	2010 R	2009 Restated R
NET ASSETS AND LIABILITIES			
Net assets		1,581,949,144	1,616,240,511
Housing Development Fund	2	1,485,459	2,828,029
Accumulated Surplus	3	1,580,463,685	1,613,412,482
Non-current liabilities		89,252,229	91,599,038
Long-term liabilities	4	62,798,604	67,361,960
Provision for post- retirement medical aid benefits	5	22,868,295	21,134,252
Other non-current provisions	6	3,585,330	3,102,826
Current liabilities		66,346,930	56,344,527
Consumer deposits	7	5,414,982	4,897,668
Provisions	8	1,882,516	1,400,370
Creditors	9	39,812,658	35,191,419
Unspent conditional grants and receipts	10	12,233,232	11,534,086
VAT	11	2,263,349	-
Operating lease liability	13	45,475	-
Current portion of long-term liabilities	4	4,694,718	3,320,984
Total Net Assets and Liabilities		1,737,548,303	1,764,184,076
ASSETS			
Non-current assets		1,501,751,097	1,530,615,959
Property, plant and equipment	14	1,467,299,435	1,496,589,103
Intangible Assets	15	77,718	99,453
Investment property	16	33,851,211	33,292,082
Long-term receivables	17	266,285	276,327
Finance lease receivables	18	256,448	358,994
Current assets		235,797,206	233,568,117
Inventory	19	4,517,573	4,977,396
Consumer debtors	20	29,409,480	24,800,118
Other debtors	21	13,569,001	2,854,386
VAT	22	-	3,031,112
Operating lease asset	13	-	8,104
Current portion of long-term receivables	17	10,042	56,891
Current portion of finance lease receivables	18	32,102	74,069
Cash and cash equivalents	38	188,259,008	197,766,041
Total Assets		1,737,548,303	1,764,184,076

SWARTLAND MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 Restated R
REVENUE			
Property rates	23	52,674,367	47,962,980
Service charges	24	160,626,419	130,889,408
Rental of facilities and equipment	26	2,171,610	1,964,670
Interest earned - external investments	25	13,376,892	18,327,478
Interest earned - outstanding debtors	25	1,263,460	1,391,048
Fines		6,414,556	3,653,893
Licences and permits		2,617,986	2,602,940
Income for agency services		2,245,343	2,356,737
Conditional Government grants and subsidies	27	52,037,657	29,595,415
VAT on Government grants and subsidies		2,084,251	-
Unconditional Government and other grants		16,065,128	14,676,000
Other revenue	28	9,269,809	9,025,597
Donated Property, Plant and Equipment		2,445,949	-
Sale of Land Inventories		2,242,274	15,834,497
<i>Revenue on sale of land</i>		2,549,724	18,391,720
<i>Cost of land sold</i>		307,450	2,557,223
Total Revenue		325,535,701	278,280,663
EXPENDITURE			
Employee related costs	29	88,219,374	75,075,058
Remuneration of Councillors	30	4,898,752	4,922,185
Impairment loss	20/21	1,650,879	999,258
Depreciation and Amortisation	31	70,517,546	64,804,992
Repairs and maintenance		13,484,312	13,710,041
Interest paid	32	7,280,825	5,351,452
Bulk purchases	33	77,899,809	59,784,449
Contracted services		2,789,995	2,798,307
Grants and subsidies paid	34	1,157,187	1,210,338
General expenses	36	92,359,405	50,898,961
Loss on disposal of property, plant and equipment		-	23,448
Total Expenditure		360,258,084	279,578,489
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		(34,722,383)	(1,297,826)
<i>Other income:</i>			
Gains on disposal of property, plant and equipment		431,016	58,883
SURPLUS/(DEFICIT) FOR THE YEAR		(34,291,367)	(1,238,943)
Refer to Appendix E (1) for explanation of variances			

SWARTLAND MUNICIPALITY**STATEMENT OF CHANGES IN NET ASSETS**
FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2008	2,168,776	386,908,149	389,076,925
Correction of error and changes in accounting policy (Note 54)	-	1,228,402,529	1,228,402,529
Restated balance	2,168,776	1,615,310,678	1,617,479,454
Restated Deficit for the year	-	(1,238,943)	(1,238,943)
Transfer from Housing Development Fund	659,253	(659,253)	-
Restated Balance at 30 June 2009	2,828,029	1,613,412,482	1,616,240,511
Deficit for the year	-	(34,291,367)	(34,291,367)
Transfer from Housing Development Fund	(1,342,570)	1,342,570	-
Balance at 30 June 2010	1,485,459	1,580,463,685	1,581,949,144

SWARTLAND MUNICIPALITY**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010	2009
		R	Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		296,962,247	260,021,869
Cash paid to suppliers and employees		(269,331,918)	(203,286,104)
Cash generated from operations	37	27,630,329	56,735,765
Interest received		13,376,892	18,327,478
Interest paid		(7,280,825)	(5,351,452)
NET CASH FROM OPERATING ACTIVITIES		33,726,396	69,711,791
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(41,568,437)	(50,622,031)
Purchase of intangible assets	15	(3,435)	(73,793)
Purchase of investment properties	16	(885,364)	-
Proceeds on disposal of property, plant and equipment		3,388,532	126,132
Decrease in long- term receivables		201,404	533,257
NET CASH FROM INVESTING ACTIVITIES		(38,867,300)	(50,036,435)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		99,750	46,743,311
Loans repaid		(4,465,879)	(3,016,532)
NET CASH FROM FINANCING ACTIVITIES		(4,366,129)	43,726,779
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(9,507,033)	63,402,135
		(9,507,033)	63,402,135
Cash and cash equivalents at the beginning of the year		197,766,041	134,363,906
Cash and cash equivalents at the end of the year	38	188,259,008	197,766,041

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where otherwise indicated.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated:

The municipality changes an accounting policy only in the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-Exchange Transactions* (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification*, Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

1. 2. 4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 8.2 on *Inventory - Subsequent measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: Property, Plant and Equipment, GRAP 12: Inventory and GRAP 102: Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards were issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
 GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
 GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
 GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
 GRAP 25 Employee Benefits - issued December 2009
 GRAP 26 Impairment of Cash-generating Assets - issued March 2009
 GRAP 103 Heritage Assets - issued July 2008
 GRAP 104 Financial Instruments – issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The Municipality applied the principles established in the following Standards of GRAP that were issued, but are not yet effective and have not been early adopted.

Appropriate accounting policies were developed and applied when dealing with the undermentioned transactions.

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
 Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
 Employee Benefits (GRAP 25 - issued December 2009)
 Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

SWARTLAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010

IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end:

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Buildings</i>	<i>30 - 100</i>
Roads and Paving	45 - 50		
Electricity	45 - 50	<i>Other</i>	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<i>Community</i>		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3. 7 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that are included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 10 Impairment of assets

3. 10. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 10. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

PROPERTY, PLANT AND EQUIPMENT (continued)

3. 10 Impairment of assets (continued)

3. 10. 2 Impairment of Non-Cash generating assets (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non- cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3. 11 Transitional Provisions

The municipality previously applied the transitional provisions of GRAP 17 in accordance with Directive 4, regarding measurement of PPE (including impairment, depreciation method, useful life and residual value). The transitional provision allowed entities a period of up to three years from the date of initial adoption of GRAP 17 on Property, Plant and Equipment to comply in full with its measurement requirements, per class of assets.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria is fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet this criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development cost assets are tested for impairment annually.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

4. INTANGIBLE ASSETS (continued)

4. 1 Initial Recognition (continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4. 2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

5. INVESTMENT PROPERTY (continued)

5. 1 Initial Recognition (continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

6. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors (see note 21)
- Short-term Investment Deposits
- Cash and Cash Equivalents

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Finance Lease Receivables	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

6. FINANCIAL INSTRUMENTS (continued)

6. 1 Financial Assets - Classification (continued)

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 9)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives) and are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

6. 3. 1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

6. FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement (continued)

6. 3. 2 Financial Liabilities:

Financial liabilities are recognised initially at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 45.7 to the annual financial statements.

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

10. REVENUE RECOGNITION (continued)

10. 2 Revenue from Exchange Transactions (continued)

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and if payment is made five days before year end it is recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

10. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 3 Revenue from Non-exchange Transactions

10. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10. 3. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

10. REVENUE RECOGNITION (continued)

10. 3 Revenue from Non-exchange Transactions (continued)

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

SWARTLAND MUNICIPALITY

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13. EMPLOYEE BENEFITS (continued)

13. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service) is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. 3 Post-retirement benefits

13. 3. 1 Defined Contribution plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

13. 3. 2 Defined Benefit plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Multi-employer Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 46 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

14. LEASES

14. 1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, while all other borrowing costs incurred are recognised as an expense in the Statement of Financial Performance.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2010**

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 54 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 54 to the Annual Financial Statements for details of corrections of errors recorded during the period under review,

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

1. GENERAL INFORMATION

Swartland Municipality (the municipality) is a local government institution in Malmesbury, Western Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. HOUSING DEVELOPMENT FUND

Restated

Balance at the beginning of the year	2,828,029	2,168,776
Income	266,238	2,079,810
Maintenance	36,087	37,962
Transfer from unspent Grants	-	1,710,917
House selling scheme loans	99,539	191,700
Housing debtors	130,612	139,231
Less: Expenses	1,608,808	1,420,557
Funding operating projects	1,608,808	1,420,557
	1,485,459	2,828,029

Analysis of the composition of the Housing Development Fund:

Housing Development Fund	1,485,459	2,828,029
Unappropriated Surplus	920,582	2,109,608
Loans extinguished by Government on 1 April 1998	564,877	718,421

The Housing Development Fund is represented by the following assets and liabilities:

Housing selling scheme loans (see note 18).	288,550	433,063
Housing Rental Debtors (see note 20).	121,149	194,064
Bank and cash	1,075,760	2,200,902

Total Housing Development Fund Assets and Liabilities

1,485,459	2,828,029
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The Housing Development Fund contain all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. ACCUMULATED SURPLUS

Restated

The following internal funds and reserves are ring-fenced within the Accumulated Surplus.

Capital replacement reserve	111,949,375	96,890,422
Capitalisation reserve	1,134,841,882	1,294,266,338
Donations and public contribution reserve	4,782,703	1,627,208
Government Grants Reserve	110,020,057	83,390,410
Accumulated surplus/(deficit) due to the results of operations	218,869,668	137,238,104

Total Accumulated Surplus

1,580,463,685	1,613,412,482
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The Capital Replacement Reserve is a reserve to finance future capital expenditure.

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The Donation and Public Contribution Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donation and Public Contribution Reserve ensures consumer equity and is not backed by cash.

The Government Grant Reserve equals the carrying value of the items of property, plant and equipment financed by government. The Government Grant Reserve ensures consumer equity and is not backed by cash.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4. LONG- TERM LIABILITIES		
Annuity Loans	66,501,821	69,494,869
Capitalised Lease Liability (see to note 12).	991,501	1,188,075
Sub-total	67,493,322	70,682,944
Less : Current portion transferred to current liabilities	4,694,718	3,320,984
Annuity Loans	4,339,134	3,026,622
Capitalised Lease Liability	355,584	294,362
Total: Long-term Liabilities (Neither past due nor impaired)	62,798,604	67,361,960

Summary of arrangements

Annuity Loans are repaid over periods varying from ten to twenty years (2009: ten to twenty years), and at interest rates varying from 9.575 % to 15.50 % (2009: 9.75 % to 15.50 %). Annuity Loans are not secured.

For detail of leasing arrangements regarding capitalised finance lease liabilities refer to note 12.

Management of the municipality is of the opinion that the carrying value of Long- Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to APPENDIX A for more detail on long- term liabilities.

5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY

Post-Employment Health Care Benefit Liability	24,063,540	22,187,805
Total: Post Retirement Medical Aid Benefit Liability	24,063,540	22,187,805
Less: Transfer to Current Provisions	(1,195,245)	(1,053,553)
Net Post-Employment Health Care Benefit Liability	22,868,295	21,134,252

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by Independant Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- In-service members	235	213
- Continuation members	55	59
Total	290	272

The liability in respect of past service has been estimated to be as follows:

- In-service members	10,640,719	9,366,101
- Continuation members	12,940,323	12,815,917
	23,581,042	22,182,018

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Pro Sano
- Samwumed

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY (Continued)		
The future service cost for the ensuing year is established to be R 1,117,938, whereas the interest-cost for the next year is estimated to be R 2,131,726 (2009: R 1,016,750 and R 1,983,244 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	9.04 %	9.15 %
Health Care Cost Inflation Rate	7.15 %	7.86 %
Net Effective Discount Rate	1.76 %	1.20 %
Expected Rate of Salary Increase	6.40 %	6.67 %
General Inflation Rate (CPI)	5.40 %	6.11 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	64	64
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	23,581,042	22,182,018
Fair value of plan assets	-	-
	23,581,042	22,182,018
Unrecognised past service cost	-	-
Unrecognised actuarial losses	482,498	5,787
Present value of unfunded obligations	23,581,042	22,182,018
Benefit Liability	24,063,540	22,187,805
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,016,750	952,676
Interest cost	1,983,245	2,189,434
Total included in Employee Related Costs (see to note 29).	2,999,995	3,142,110
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	22,182,018	20,900,921
Current service cost	1,016,750	952,676
Interest cost	1,983,245	2,189,434
Benefits paid	(1,124,259)	(1,020,766)
Actuarial (gain)/loss on the obligation	(476,711)	(840,247)
Balance at end of year	23,581,043	22,182,018
The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:		
Increase		
Effect on the aggregate of the current service cost and the interest cost	602,310	591,082
Effect on the defined benefit obligation	3,589,635	3,425,256
Decrease		
Effect on the aggregate of the current service cost and the interest cost	(481,075)	(469,873)
Effect on the defined benefit obligation	(2,943,412)	(2,782,640)
The history of experienced adjustments is as follows:		

	2010	2009	2008	2007	2006
Defined benefit obligation	23,581,042	22,182,018	20,900,921	20,381,446	17,238,790
Experience adjustments on plan liabilities	2,910,018	(271,882)	(2,232,699)	(1,450,367)	-

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY (Continued)

The municipality expects to make a contribution of R 2,999,994 (2009: R 3,142,110) to the defined benefit plans during the next financial year.

Refer to Note 46 "Multi- Employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

6. OTHER NON- CURRENT PROVISIONS*Long Service Awards*

Provision for Long Service Awards	3,976,914	3,449,643
Total Provision for Long Service Awards	3,976,914	3,449,643
Less: Transfer to Current Provisions	(391,584)	(346,817)
Net Long Service Awards liability	3,585,330	3,102,826

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Swartland Municipality). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2010 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2010 by Independent Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 367,354, whereas the interest-cost for the next year is estimated to be R 359,513 (2009: R 478,478 and R 302,155 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9.04 %	9.21 %
Expected Rate of Salary Increase	6.40 %	6.67 %
Net Effective Discount Rate	2.48 %	2.38 %
General Inflation Rate (CPI)	5.40 %	6.11 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	64	64

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3,976,914	3,449,643
	3,976,914	3,449,643
Present value of unfunded obligations	3,976,914	3,449,643
Net liability	3,976,914	3,449,643

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	478,478	369,807
Interest cost	302,155	284,296
Past service cost (Profit)	239,362	-
Actuarial (gain)/loss on the obligation	(124,691)	506,949
Total included in Employee Related Costs (see to note 29).	895,304	1,161,052

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
6. OTHER NON-CURRENT PROVISIONS (Continued)		
<i>Long Service Awards (continued)</i>		
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	3,449,643	2,699,790
Current service cost	478,478	369,807
Interest cost	302,155	284,296
Past service cost (Profit)	239,362	-
Benefits paid	(368,033)	(411,199)
Actuarial (gain)/loss on the obligation	(124,691)	506,949
Balance at end of year	3,976,914	3,449,643

The history of experienced adjustments is as follows:

	2010	2009	2008	2007	2006
Defined benefit obligation	3,976,914	3,499,643	2,699,790	2,782,650	2,385,606
Experience adjustments on plan liabilities	(87,846)	630,992	(396,187)	(375,596)	-
	2010 R	2009 R			
7. CONSUMER DEPOSITS					
Electricity and Water	5,414,982	4,897,668			
Interest paid	-	-			
Total Consumer Deposits	5,414,982	4,897,668			

Guarantees amounting to R 717 653 (2009: R 717,653) are held in lieu of Electricity and Water Deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Council can utilize the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits were determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

8. PROVISIONS

Current portion of Post-Employment Health Care Benefits(see note 5)	1,195,245	1,053,553
Current portion of Long-Service Awards (see note 6)	391,584	346,817
Task: Back pay	295,687	-
Total Provisions	1,882,516	1,400,370

The movement in current provisions are reconciled as follows:

	Task Back Pay	Post- Employment Health Care Benefits	Current portion of Long- service
30 June 2010			
Balance at beginning of year	-	1,053,553	346,817
Transfer from non-current	-	1,195,245	391,584
Contributions to provision	295,687	70,706	21,216
Expenditure incurred	-	(1,124,259)	(368,033)
Reversal of provision	-	-	-
Balance at end of year	295,687	1,195,245	391,584

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

8. PROVISIONS (continued)

30 June 2009	Task Back Pay	Post- Employment Health Care Benefits	Current portion of Long- service
Balance at beginning of year	-	916,054	216,420
Transfer from non-current	-	1,053,553	346,817
Contributions to provision	-	104,712	194,779
Expenditure incurred	-	(1,020,766)	(411,199)
Reversal of provision	-	-	-
Balance at end of year	-	1,053,553	346,817

9. CREDITORS

	2010 R	2009 Restated R
Trade creditors	29,604,958	25,748,346
Payments received in advance	634,307	1,256,129
Retentions	1,293,257	1,067,703
Staff leave	4,552,857	3,726,633
Other creditors	3,727,279	3,392,608
Total Creditors	39,812,658	35,191,419

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Retentions refer to construction contracts.

10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

10.1 Conditional Grants by other spheres of Government

	10,444,475	11,219,611
Cleanest Town	127,544	127,544
Community Development: Workers	7,086	34,765
Database: Performance Management	-	56,000
Disaster Fund	-	1,723,936
Financial Management Grant	25,496	-
Housing Consumer Education Grant	83,687	63,795
Housing: Darling	-	6,628,169
Ilinge Lethu Advisory Centre	10,203	139,256
Ilinge Lethu Multipurpose Centre	12,517	49,153
Library	-	-
Masterplanning	150,000	-
Municipal Infrastructure Grant	9,589,797	-
Municipal Systems Improvement Grant	438,145	341,857
Performance Management	-	-
Sondeza	-	-
Sport Development	-	-
Vuna Award	-	2,055,136

10.2 Other Conditional Receipts

	1,788,757	314,475
Junior Council	-	5,719
National Lottery	1,500,000	-
Spatial Development Plan	288,757	308,756
Total Conditional Grants and Receipts	12,233,232	11,534,086

See Note 27 for reconciliation of grants by other spheres of government.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
11. VAT		
VAT payable	<u>2,263,349</u>	<u>-</u>

VAT is accounted for on the receipts basis. Only when payment has been received from debtors VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

12. FINANCE LEASE PAYABLES**The Municipality as lessee****Leasing arrangements:**

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2009: five years). The effective interest rate on finance leases is between 13.97 % and 21.53 % (2009: 14.73 % and 21.53 %). Capitalised lease liabilities are secured over the items of office equipment leased.

The obligations under finance leases are scheduled below:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010 R	2009 R	2010 R	2009 R
Amounts payable under finance leases				
Within one year	486,486	454,585	355,585	294,362
1 to 5 years	748,359	1,080,653	635,916	893,713
More than 5 years	-	-	-	-
	<u>1,234,845</u>	<u>1,535,238</u>	<u>991,501</u>	<u>1,188,075</u>
Less: Future finance charges	(243,344)	(347,163)		
Present Value of Lease obligations (see note 4)	<u>991,501</u>	<u>1,188,075</u>	<u>991,501</u>	<u>1,188,075</u>
Less amounts due for settlement within 12 months (current portion)			(355,584)	(294,362)
Amounts due for settlement after 12 months (non-current)			<u>635,917</u>	<u>893,713</u>

The management of the municipality is of the opinion that the carrying value of Finance Leases approximate their fair values.

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

(i) Siemens High Path Pabx

- Instalments are payable monthly in advance
- Average period outstanding 30 months
- Average effective interest rate 14.74 %
- Average monthly instalment 8,936

(ii) Bizhub 750/FS-505 Copier

- Instalments are payable monthly in advance
- Average period outstanding 43 months
- Average effective interest rate 13.97 %
- Average monthly instalment 5,699

(iii) Bizhub 160F Copier

- Instalments are payable monthly in advance
- Average period outstanding 49 months
- Average effective interest rate 15.40 %
- Average monthly instalment 6,379

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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13. OPERATING LEASES

The Municipality as lessee*Leasing arrangements:*

Operating leases relate to Buildings, Computer and other equipment with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Buildings	1,642,545	352,358
Up to 1 year	507,570	147,392
1 to 5 years	1,134,975	204,966
More than 5 years	-	-
Computer and other equipment	228,483	360,274
Up to 1 year	124,887	142,938
1 to 5 years	103,596	217,336
More than 5 years	-	-
Total Operating Lease Commitments	1,871,028	712,632
The following payments have been recognised as an expense in the Statement of Financial Performance:		
Minimum lease payments	676,219	390,240
Total Operating Lease Expenses - as Lessee	676,219	390,240

Operating leases are recognized on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable Operating Leases the following **asset/(liability)** has been recognised:

Accrual as at 30 June

Operating lease payments effected	676,219	392,401
Operating expenses recorded	(720,839)	(390,240)
Total Operating Lease Assets/(Liabilities)	(44,620)	2,161

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment
- Vehicles

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The Municipality as Lessor:*Leasing arrangements:*

Operating Leases relate to Investment Property owned by the municipality with lease terms of between 5 to 50 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	146,156	159,910
1 to 5 years	280,709	352,448
More than 5 years	7,520	33,330
	434,385	545,688

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a decrease in current year income of R 855.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

13.. OPERATING LEASES (continued)

Operating leases are recognized on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable Operating Leases the following asset/(liability) has been recognised:

Accrual as at 30 June

Operating lease payments received	(497,842)	(462,486)
Operating income recorded	496,987	468,429
Total Operating Lease Assets/(Liabilities)	(855)	5,943

No restrictions have been imposed on the Municipality in terms of the lease agreements.

14. PROPERTY, PLANT AND EQUIPMENT

30 June 2010

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
	R	R	R	R	R
Carrying values at 1 July 2009	113,621,241	1,319,264,772	36,285,730	133,615	1,469,305,358
Cost	257,259,405	2,575,817,728	135,685,187	586,266	2,969,348,586
Accumulated depreciation and Impairment	(143,638,164)	(1,256,552,956)	(99,399,457)	(452,651)	(1,500,043,228)
- Cost	(143,638,164)	(1,256,552,956)	(99,399,457)	(452,651)	(1,500,043,228)
Acquisitions	2,382,657	24,861,676	701,578	-	27,945,911
Capital under Construction	-	5,350,315	-	-	5,350,315
Borrowing costs Capitalised	-	-	-	-	-
Depreciation	(6,271,542)	(54,680,784)	(4,033,338)	(16,546)	(65,002,210)
- based on cost	(6,271,542)	(54,680,784)	(4,033,338)	(16,546)	(65,002,210)
Carrying value of disposals	(8,786)	-	-	-	(8,786)
Cost	(8,786)	-	-	-	(8,786)
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Transferred to disposal group classified as held for sale	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2010	109,723,570	1,294,795,979	32,953,970	117,069	1,437,590,588
Cost	259,633,276	2,606,029,719	136,386,765	586,266	3,002,636,026
Accumulated depreciation and Impairment	(149,909,706)	(1,311,233,740)	(103,432,795)	(469,197)	(1,565,045,438)
- Cost	(149,909,706)	(1,311,233,740)	(103,432,795)	(469,197)	(1,565,045,438)

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2010

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 1 July 2009	1,469,305,358	25,620,385	706,623	956,737	1,496,589,103
Cost	2,969,348,586	45,867,590	1,587,265	1,390,940	3,018,194,381
Accumulated depreciation and Impairment	(1,500,043,228)	(20,247,205)	(880,642)	(434,203)	(1,521,605,278)
- Cost	(1,500,043,228)	(20,247,205)	(880,642)	(434,203)	(1,521,605,278)
Acquisitions	27,945,911	8,184,711	-	87,500	36,218,122
Capital under Construction	5,350,315	-	-	-	5,350,315
Borrowing costs Capitalised					
Depreciation	(65,002,210)	(5,089,654)	(64,665)	(284,997)	(70,441,526)
- based on cost	(65,002,210)	(5,089,654)	(64,665)	(284,997)	(70,441,526)
Carrying value of disposals	(8,786)	(407,793)	-	-	(416,579)
Cost	(8,786)	(1,897,627)	-	-	(1,906,413)
Accumulated depreciation	-	1,489,834	-	-	1,489,834
Impairment losses	-	-	-	-	-
Transferred to disposal group classified as held for sale					
Other movements	-	-	-	-	-
Carrying values at 30 June 2010	1,437,590,588	28,307,649	641,958	759,240	1,467,299,435
Cost	3,002,636,026	52,154,674	1,587,265	1,478,440	3,057,856,405
Accumulated depreciation and Impairment	(1,565,045,438)	(23,847,025)	(945,307)	(719,200)	(1,590,556,970)
- Cost	(1,565,045,438)	(23,847,025)	(945,307)	(719,200)	(1,590,556,970)

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2009

Restated

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
R	R	R	R	R	R
Carrying values at 1 July 2008	118,492,623	1,328,784,340	40,309,972	132,993	1,487,719,928
Cost	105,447,683	956,330,530	29,006,583	586,266	1,091,371,062
Correction of error (Note 54)	150,694,227	1,576,566,262	106,678,604	-	1,833,939,093
Accumulated depreciation and Impairment	(137,649,287)	(1,204,112,452)	(95,375,215)	(453,273)	(1,437,590,227)
Cost	(36,197,924)	(769,471,394)	(15,674,642)	(453,273)	(821,797,233)
Correction of error (Note 54)	(101,451,363)	(434,641,058)	(79,700,573)	-	(615,792,994)
Acquisitions	1,207,755	28,347,155	-	-	29,554,910
Capital under Construction	3,390	16,342,069	-	-	16,345,459
Borrowing costs Capitalised	-	-	-	-	-
Correction of error (Note 54)	155,000	(1,777,938)	-	-	(1,622,938)
Transfer	(9,650)	9,650	-	-	-
Depreciation	(5,988,877)	(52,440,504)	(4,024,242)	622	(62,453,001)
- based on cost	(1,089,077)	(12,605,582)	(919,927)	(10,109)	(14,624,695)
- Correction of error (Note 54)	(4,899,800)	(39,834,922)	(3,104,315)	10,731	(47,828,306)
Carrying value of disposals	(239,000)	-	-	-	(239,000)
Cost	(239,000)	-	-	-	(239,000)
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Transferred to disposal group classified as held for sale	-	-	-	-	-
Carrying values at 30 June 2009	113,621,241	1,319,264,772	36,285,730	133,615	1,469,305,358
Cost	257,259,405	2,575,817,728	135,685,187	586,266	2,969,348,586
Correction of error (Note 54)	-	-	-	-	-
Accumulated depreciation and Impairment	(143,638,164)	(1,256,552,956)	(99,399,457)	(452,651)	(1,500,043,228)
- Cost	(143,638,164)	(1,256,552,956)	(99,399,457)	(452,651)	(1,500,043,228)

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2009

Restated

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 1 July 2008	1,487,719,928	22,290,619	736,019	960,449	1,511,707,015
Cost	1,091,371,062	39,376,320	1,587,265	1,165,196	1,133,499,843
Correction of error (Note 54)	1,833,939,093	1,447,481	-	-	1,835,386,574
Accumulated depreciation and Impairment	(1,437,590,227)	(18,533,182)	(851,246)	(204,747)	(1,457,179,402)
- Cost	(821,797,233)	(17,673,572)	(851,246)	(204,747)	(840,526,798)
- Correction of error (Note 54)	(615,792,994)	(859,610)	-	-	(616,652,604)
Acquisitions	29,554,910	5,431,948	-	289,997	35,276,855
Capital under Construction	16,345,459	-	-	-	16,345,459
Borrowing costs Capitalised	-	-	-	-	-
Correction of error (Note 54)	(1,622,938)	-	-	-	(1,622,938)
Transfer	-	-	-	-	-
Depreciation	(62,453,001)	(2,011,483)	(29,396)	(248,643)	(64,742,523)
- based on cost	(14,624,695)	(3,595,513)	(66,626)	(248,643)	(18,535,477)
- Correction of error (Note 54)	(47,828,306)	1,584,030	37,230	-	(46,207,046)
Carrying value of disposals	(239,000)	(90,699)	-	(45,066)	(374,765)
Cost/revaluation	(239,000)	(388,159)	-	(64,253)	(691,412)
Accumulated depreciation	-	297,460	-	19,187	316,647
Impairment losses	-	-	-	-	-
Transferred to disposal group classified as held for sale	-	-	-	-	-
Carrying values at 30 June 2009	1,469,305,358	25,620,385	706,623	956,737	1,496,589,103
Cost	2,969,348,586	45,867,590	1,587,265	1,390,940	3,018,194,381
Correction of error (Note 54)	-	-	-	-	-
Accumulated depreciation and Impairment	(1,500,043,228)	(20,247,205)	(880,642)	(434,203)	(1,521,605,278)
- Cost	(1,500,043,228)	(20,247,205)	(880,642)	(434,203)	(1,521,605,278)

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has previously taken advantage of the transitional provision in paragraph 78 of GRAP 17, as set out in Directive 4, which allows entities a period of up to 3 years from the date of initial adoption of GRAP 17 to comply in full with its measurement requirements. A change in accounting policy has been applied as the municipality has early adopted GRAP 17 and believes that it fully complies with GRAP 17 by 30 June 2010.

In terms of the transitional provisions of Directive 4, the municipality previously measured its Infrastructure Assets, Land and Buildings Community Assets, Heritage Assets, Housing Rental stock and Other Assets at historical global amounts, or in cases where no cost prices are available, at provisional amounts. During the transitional period the municipality finalised a process of componentisation of assets that were recorded at global amounts and not initially measured and recorded in the significant components making up the assets. Where sufficient historical data on assets, relating to initial cost prices, were not available to the municipality, the municipality measured its assets at a deemed cost which represents fair value or depreciated replacement cost at the date the asset was acquired, if the acquisition date is known; or the fair value or depreciated replacement cost of the asset determined at the earliest date for which the municipality first prepared financial statements that complied with Standards of GRAP, i.e. 1 July 2007, if the asset's acquisition date is unknown.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

15. INTANGIBLE ASSETS

30 June 2010

Reconciliation of Carrying Value	Total	Software Licenses	Website Development
	R	R	R
Carrying values at 1 July 2009	99,453	67,439	32,014
- Cost	143,497	73,793	69,704
Accumulated Amortisation and Impairment	(44,044)	(6,354)	(37,690)
- Cost	(44,044)	(6,354)	(37,690)
Acquisitions			
Purchased	3,435	3,435	-
Borrowing Costs Capitalised	-	-	-
Other movements	-	-	-
Amortisation	(25,170)	(14,790)	(10,380)
- based on Cost	(25,170)	(14,790)	(10,380)
Carrying values at 30 June 2010	77,718	56,084	21,634
- Cost	146,932	77,228	69,704
Accumulated amortisation	(69,214)	(21,144)	(48,070)
- Cost	(69,214)	(21,144)	(48,070)

30 June 2009

Restated

Reconciliation of Carrying Value	Total	Software Licenses	Website Development
	R	R	R
Carrying values at 1 July 2008	37,279	-	37,279
Cost	69,704	-	69,704
Accumulated Amortisation and Impairment	(32,425)	-	(32,425)
- Cost	(32,425)	-	(32,425)
Acquisitions			
Purchased	73,793	73,793	-
Other Movements	21,522	-	21,522
Amortisation	(6,354)	(6,354)	(5,265)
- based on Cost	(6,354)	(6,354)	(12,085)
Correction of error (Note 54)			6,820
Carrying values at 30 June 2009	99,453	67,439	32,014
- Cost	143,497	73,793	69,704
Correction of error (Note 54)	-	-	-
Accumulated amortisation	(44,044)	(6,354)	(37,690)
- Cost	(22,522)	(6,354)	(16,168)
Correction of error (Note 54)	(21,522)	-	(21,522)

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	Restated R

15. INTANGIBLE ASSETS (continued)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to the intangible assets.

16. INVESTMENT PROPERTY

At cost less accumulated depreciation	33,851,211	33,292,082
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The movement in investment properties is reconciled as follows:

Carrying value at the beginning of the year	33,292,082	33,489,303
Cost	34,390,027	29,841,073
Accumulated depreciation	(1,097,945)	(6,039,295)
Accumulated Impairment Losses	-	-
<i>Correction of error (Note 54)</i>		
Cost	-	4,695,325
Accumulated depreciation	-	4,992,200
Additions to existing investment properties	885,364	-
Transfer to Inventory (Grap 16.65 and 16.70)	(275,385)	(146,371)
Depreciation	(50,850)	(50,850)
Impairment losses	-	-
Other Movements	-	-
Carrying value at the end of the year	33,851,211	33,292,082
Cost	35,000,006	34,390,027
Accumulated depreciation	(1,148,795)	(1,097,945)
Accumulated Impairment Losses	-	-
<i>Correction of error (Note 54)</i>		
Cost	-	-
Accumulated depreciation	-	-

The following is included in the net surplus/(deficit)

Rental revenue earned from Investment Properties	359,391	285,190
Direct Operating expenses - incurred to generate rental revenue	97,280	226,986
Direct Operating expenses - incurred which did not generate rental revenue	992,510	898,840

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property.

Fair Value of investment properties.

The fair value of investment properties is estimated at R 82,884,40 which is based on a valuation by an independent valuer who holds a recognised and relevant qualification. The determination of fair value is supported by market evidence.

17. LONG-TERM RECEIVABLES

Nether past due nor impaired

Car loans	-	47,860
Loans to Public Organisations	276,327	285,358
	276,327	333,218

Less : Current portion transferred to current receivables

	10,042	56,891
Car loans	-	47,860
Loans to Public Organisations	10,042	9,031

Total	266,285	276,327
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SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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17. LONG-TERM RECEIVABLES (continued)

LOANS TO PUBLIC ORGANISATIONS

Under the previous dispensation loans raised at an interest rate of one percent per annum repayable over a period of forty years were granted by the State to the Municipality who in turn, made the said loans available to Public Organisations for the purpose of providing housing to indigent old age persons. The Municipality merely acted as an intermediary between the State and such Organisations. The outstanding balances of these loans were subsequently written off by the State whilst the annual instalment, still recoverable from the various Organisations, are credited to the Housing Fund. Loans are repaid over periods of thirty to forty years and at interest rates varying from one to eleven point two five percent per annum. (See note 2)

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the financial statements approximate their fair values.

CAR LOANS

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a motor vehicle. The vehicle must be made available daily by the staff member for his use in the carrying out of his official duties. The repayment period of these loans and the applicable interest rate is a maximum of six years and eight percent per annum, respectively.

The fair value of Long- Term Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Long- term receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

18. FINANCE LEASE RECEIVABLES

Housing selling scheme loans	288,550	433,063
	288,550	433,063
<i>Less : Current portion transferred to current receivables</i>	32,102	74,069
Housing selling scheme loans	32,102	74,069
Total	256,448	358,994

HOUSING SELLING SCHEME LOANS

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of thirteen point five percent per annum. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund. (See note 2)

18.1 Leasing Arrangements

The municipality entered into finance Leasing Arrangements for house selling scheme loans. The average term of Finance Leases entered into is between six and twenty years.

18.2 Amounts receivable under finance leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010 R	2009 R	2010 R	2009 R
Within one year	70,176	130,332	32,102	74,069
In the second to fifth year inclusive	228,646	413,974	80,219	134,586
Over five years	279,916	394,821	176,229	224,408
	578,738	939,127	288,550	433,063
Less: Unearned Finance Income	(290,187)	(506,064)		
Total Finance Lease Receivables	288,551	433,063	288,550	433,063

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

18. FINANCE LEASE RECEIVABLES (continued)

18.3 Amounts receivable under finance leases (continued)

	2010 R	2009 R
Included in the Annual Financial Statements as:		
Current Finance lease receivables	32,102	74,069
Non-Current Finance lease receivables	256,448	358,994
	288,550	433,063

The interest rate inherent to the leases are fixed at the contract date over the entire lease term. The average effective interest rate contracted is 13.50 % (2009: 13.50 %) per annum.

Management of the municipality is of the opinion that the carrying value of financial lease receivables recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipalities debtors.

19. INVENTORY

Restated

Consumable stores - at cost	2,363,421	2,650,882
Franking Machine	667	13,815
Gift Vouchers	1,400	-
Stationery - at cost	122,722	171,488
SMS Bundles	997	1,245
Water - at cost	102,637	91,438
Unsold properties held for resale - at cost	1,925,729	2,048,528
Total Inventory	4,517,573	4,977,396

The cost of inventories (excluding land inventories) recognised as expense and included in "General Expenses" amounted to R 2,486,143 (2009: R 2,639,093). The cost of land inventories expensed has been separately disclosed on the Statement of Financial Performance.

Inventory to the amount of R 0 (2009: R 121,052) was written-down and included in "General Expenses".

20. CONSUMER DEBTORS

As at 30 June 2010

	Gross Balances	Collective Provision for Impairment	Net Balances
Service debtors	33,034,591	3,728,638	29,305,953
Rates	8,038,127	1,350,473	6,687,654
Electricity	14,717,380	607,517	14,109,863
Water	4,315,600	557,208	3,758,392
Sewerage	3,330,494	644,653	2,685,841
Refuse Removal	2,632,990	568,787	2,064,203
Housing rentals	121,149	17,622	103,527
Total	33,155,740	3,746,260	29,409,480

As at 30 June 2009 Restated

	Gross Balances	Collective Provision for Impairment	Net Balances
Service debtors	27,728,668	2,983,134	24,745,534
Rates	6,698,191	1,101,215	5,596,976
Electricity	11,968,123	381,214	11,586,909
Water	3,782,725	474,291	3,308,434
Sewerage	2,936,467	542,157	2,394,310
Refuse Removal	2,343,162	484,257	1,858,905
Housing rentals	194,064	139,480	54,584
Total	27,922,732	3,122,614	24,800,118

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

20. CONSUMER DEBTORS (continued)

	2010 R	2009 R
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The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the consumer debtors.

Management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.

Comparative has been restated due to the correction of an error (refer to note 54).

20. 1 Ageing of Consumer Debtors

Rates: Ageing

Current (0 - 30 days)	3,701,685	3,071,583
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Past Due

31 - 60 Days	722,549	786,509
61 - 90 Days	271,085	208,918
91 - 120 Days	126,944	155,547
121 - 150 Days	88,167	80,738
151 - 180 Days	62,399	93,318
181 - 365 Days	2,293,014	1,697,086
366 Days - 2 Years	457,668	179,264
2 - 3 Years	90,041	128,748
+ 3 Years	224,575	296,480

Total

8,038,127	6,698,191
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Electricity, Water, Sewerage and Refuse Removal: Ageing

Current (0 - 30 days)	17,854,068	14,327,566
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Past Due

31 - 60 Days	1,934,975	1,990,854
61 - 90 Days	388,170	423,551
91 - 120 Days	290,466	308,994
121 - 150 Days	258,751	295,957
151 - 180 Days	257,823	245,152
181 - 365 Days	2,603,467	2,129,787
366 Days - 2 Years	670,071	619,550
2 - 3 Years	291,480	190,882
+ 3 Years	447,193	498,184

Total

24,996,464	21,030,477
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Housing rentals: Ageing

Current (0 - 30 days)	29,440	34,987
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Past Due

31 - 60 Days	11,693	16,263
61 - 90 Days	1,503	3,335
91 - 120 Days	1,502	2,997
121 - 150 Days	1,510	2,403
151 - 180 Days	1,660	12,535
181 - 365 Days	33,363	40,299
366 Days - 2 Years	9,442	27,371
2 - 3 Years	10,092	8,382
+ 3 Years	20,943	45,493

Total

121,148	194,065
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SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

20. CONSUMER DEBTORS (continued)

20. 2 Summary of Debtors by Customer Classification

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
30th June 2010			
Current (0 - 30 days)	15,623,616	5,359,207	602,370
<u>Past Due</u>			
31 - 60 Days	2,222,586	381,363	65,268
61 - 90 Days	606,156	32,145	22,457
91 - 120 Days	372,521	35,155	11,238
121 - 150 Days	310,024	27,999	10,405
151 - 180 Days	296,741	17,488	7,652
181 - 365 Days	4,522,751	210,090	197,004
366 Days - 2 Years	1,059,974	61,537	15,668
2 - 3 Years	334,016	50,173	7,424
+ 3 Years	621,863	60,861	9,988
Sub-total	25,970,248	6,236,018	949,474
Less: Collective Provision for Impairment	(3,164,061)	(582,199)	-
Total debtors by customer classification	22,806,187	5,653,819	949,474
30th June 2009			
Restated			
Current (0 - 30 days)	12,869,023	4,051,363	513,749
Restated			
<u>Past Due</u>			
31 - 60 Days	2,130,062	585,235	78,329
61 - 90 Days	537,870	37,507	60,428
91 - 120 Days	439,555	15,787	12,197
121 - 150 Days	354,821	12,394	11,882
151 - 180 Days	333,155	8,500	9,349
181 - 365 Days	3,618,292	153,537	95,344
366 Days - 2 Years	736,617	68,575	20,991
2 - 3 Years	288,426	21,019	18,566
+ 3 Years	765,247	60,538	14,374
Sub-total	22,073,068	5,014,455	835,209
Less: Collective Provision for Impairment	(2,706,609)	(416,005)	-
Total consumer debtors by customer classification	19,366,459	4,598,450	835,209

Comparative has been restated due to the correction of an error (refer to note 54).

	2010	2009
	R	R
		Restated
At 30 June 2010 consumer debtors of R 7,824,287 (2009: R 7,365,982) were past due but not impaired. The age analysis of these consumer debtors are as follows:		
31 - 60 Days	2,669,217	2,793,625
61 - 90 Days	660,758	635,804
91 - 120 Days	418,913	467,537
121 - 150 Days	348,428	379,098
151 - 180 Days	321,882	351,005
181 - 365 Days	3,405,089	2,738,913
Total	7,824,287	7,365,982

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
20. CONSUMER DEBTORS (continued)		
<i>20.3 Reconciliation of Collective Provision for Impairment on Consumer debtors</i>		
Balance at beginning of the year	3,122,614	3,178,503
Contribution to Provision	1,643,417	818,453
Bad debts written off against provision	(1,019,771)	(874,342)
Reversal of provision	-	-
Balance at end of year	3,746,260	3,122,614
21. OTHER DEBTORS		Restated
Payments made in advance	139,611	352,359
Insurance claims	9,821	26,726
Government grants and subsidies (Past due and not impaired)	9,137,559	32,387
Sub Total	9,286,991	411,472
Sundry debtors	5,120,104	3,360,590
Less: Collective Provision for Impairment	(838,094)	(917,676)
Sub Total	4,282,010	2,442,914
Total Other Debtors	13,569,001	2,854,386
<u>Ageing</u>		
Current (0 - 30 days)	3,928,650	2,066,809
<u>Past Due</u>		
31 - 60 Days	91,099	135,513
61 - 90 Days	63,616	49,022
91 - 120 Days	66,050	46,395
121 - 150 Days	67,422	37,869
151 - 180 Days	27,620	45,491
181 - 365 Days	559,986	681,657
366 Days - 2 Years	183,728	118,204
2 - 3 Years	53,175	63,563
+ 3 Years	78,758	116,067
Total	5,120,104	3,360,590
At 30 June 2010 other debtors of R 353,360 (2009: R 376,105) were past due but not impaired. The age analysis of these consumer debtors are as follows:		
31 - 60 Days	353,360	376,105
61 - 90 Days	-	-
91 - 120 Days	-	-
Total	353,360	376,105
<i>Reconciliation of Collective Provision for Impairment on Other debtors</i>		
Balance at beginning of the year	917,676	846,362
Contributions to provision	7,462	180,804
Bad debts written off against provision	(87,044)	(109,490)
Reversal of provision	-	-
Balance at end of year	838,094	917,676

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R

21. OTHER DEBTORS (continued)

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets

The average credit period for other debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the other debtors.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratios of other debtors were also taken into account for fair value determination.

The provision for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The total amount of the provision for impairment created is R 4,584,354 (2009: R 4,040,290) and the following loans and receivables are included therein:

Consumer Debtors	3,746,260	3,122,614
Sundry Debtors	838,094	917,676
Total Allowance for Doubtful Debts on Debtors	4,584,354	4,040,290

22. VAT**VAT receivable**

		Restated
	-	3,031,112

VAT is accounted for on the receipts basis. Only when payment has been received from debtors VAT is paid over to SARS.

23. PROPERTY RATES**Income****Actual**

		Restated
Residential, Commercial, Industrial, Rural and Other	50,921,021	46,347,973
State	1,753,346	1,615,007
Total Assessment Rates	52,674,367	47,962,980

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

23.. PROPERTY RATES (continued)

ValuationsActual

	July 2010	July 2009
Residential, Commercial, Industrial, Rural and Other	13,499,683,534	12,968,124,184
State	338,753,600	334,576,000
	13,838,437,134	13,302,700,184

Assessment Rates are levied on the value of land and improvements, less R 15 000 for residential properties, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. The last valuation came into effect on 1 July 2008.

Uniform rates of 0,52 (2008/2009: 0,49 c/R) cent in the Rand on land and building valuations were applied to determine assessment rates. A rebate of 40,00 % (2008/2009: 40,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 75 % (2008/2009: 75 %) was granted on properties owned by residence of Jakkalsfontein and Grotto Bay as well as on agricultural land.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable the last of day of the month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

	2010 R	2009 Restated R
24. SERVICE CHARGES INCOME		
Sale of electricity	104,054,936	81,520,580
Sale of water	23,771,616	21,322,845
Refuse removal	14,220,022	12,283,355
Sewerage and sanitation charges	18,579,845	15,762,628
Total Service Charges	160,626,419	130,889,408

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. INTEREST EARNED

External Investments / Cash Deposits:

Bank Account	623,921	1,378,755
Interest earned- other	12,752,971	16,948,723
	13,376,892	18,327,478

Outstanding Debtors:

Rates	422,801	460,928
Long-term Receivables	8,512	20,151
Consumer Debtors	720,955	799,403
Other Debtors	111,192	110,566
	1,263,460	1,391,048

Total Interest Earned

	14,640,352	19,718,526
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Interest Earned on Financial Assets, analysed by category of asset, is as follows:

		Restated
Available-for-Sale Financial Assets	-	-
Loans and Receivables	14,640,352	19,718,526
	14,640,352	19,718,526

Interest Earned on Non-financial Assets

	-	-
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SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R Restated
26. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	334,817	284,436
Rental Revenue from Halls	231,431	180,781
Rental Revenue from Other facilities	1,605,362	1,499,453
	-	-
Total Rental of Facilities and Equipment	2,171,610	1,964,670

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

27. GOVERNMENT GRANTS AND SUBSIDIES

Abbotsdale Housing Project	-	108,358
Cleanest Town	1,070,497	42,973
Chatsworth Streets and Stormwater	5,000,000	-
Chatsworth/Malmesbury Pipeline	1,813,060	-
Community Development: Workers	75,679	49,743
Darling Pedestrian Route	-	601,982
Database Performance Management	56,000	-
Disaster Fund	1,747,936	147,525
Electricity Riebeek Kasteel/Kalbaskraal	-	435,975
Electricity: Internal Installations Darling	1,254,000	-
Financial Management Grant	692,945	555,830
Housing Consumer Education Grant	30,108	9,337
Housing: Darling	35,369,519	15,896,118
Housing Project : Chatsworth - Transfer Fees	-	35,696
Housing: Riebeek Kasteel	-	1,133,976
Ilinge Lethu Advisory Centre	269,053	170,769
Ilinge Lethu Centre	36,636	111,934
Ilinge Lethu Housing Project	-	18,254
Kalbaskraal Housing Project	-	75,458
Kalbaskraal Housing Project (2)	-	1,019,078
Libraries	903,173	460,879
Malmesbury Saamstaan Housing Project	-	49,141
Masibambani: Services	-	88,000
Masterplanning: Sewerage and Stormwater	-	42,000
Municipal Infrastructure Grant	85,203	5,769,838
Municipal Systems Improvement Grant	638,712	807,145
Performance Management	250,000	-
Goedverwacht Sportgrounds	-	9,350
Project Preparation Grant	-	62,000
Riebeek Kasteel Extension 3 Housing Project	-	95,194
Riebeek Kasteel: Non Motorised Transport	-	57,214
Riebeek Wes Koinonia Housing Project	-	173,641
Riverlands/Chatsworth Sport	-	243,715
Soup Kitchen	-	15,000
Spatial Development Framework	-	22,926
Sondeza	100,000	-
Sport Development	500,000	-
Upgrading: Polla Park	-	1,044,918
Vuna Award	2,055,136	105,448
Proclaimed Roads Subsidies	90,000	136,000
Total Government Grant and Subsidies	52,037,657	29,595,415

27. 1 Abbotsdale Housing Project

Balance unspent at beginning of year	-	114,108
Current year receipts	-	-
Conditions met - transferred to revenue	-	(108,358)
Conditions met - transferred to sale of land	-	(5,750)
Conditions still to be met transferred to liabilities (see note 10)	-	-

The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27. 2 <i>Cleanest Town</i>		
Balance unspent at beginning of year	127,544	110,517
Current year receipts	-	60,000
Conditions met - transferred to revenue	(1,070,497)	(42,973)
Conditions met - transferred to debtors	1,070,497	-
Conditions still to be met transferred to liabilities (see note 10)	127,544	127,544
Prize money for winning the national cleanest town competition.		
27. 3 <i>Chatsworth Streets and Stormwater</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(5,000,000)	-
Conditions met - transferred to debtors	5,000,000	-
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds made available by PAWC for the construction of streets and stormwater in Chatsworth.		
27. 4 <i>Chatsworth/Malmesbury Pipeline</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(1,813,060)	-
Conditions met - transferred to debtors	1,813,060	-
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds made available by PAWC for the construction of a water pipeline between Chatsworth and Malmesbury.		
27. 5 <i>Community Development: Workers</i>		
Balance unspent at beginning of year	34,765	36,508
Current year receipts	48,000	48,000
Conditions met - transferred to revenue	(75,679)	(49,743)
Conditions still to be met transferred to liabilities (see note 10)	7,086	34,765
Funds made available for sundry expenditure and stationery for workers, under the control of the Municipality but remunerated by PAWC.		
27. 6 <i>Darling Pedestrian Route</i>		
Balance unspent at beginning of year	-	601,982
Current year receipts	-	-
Conditions met - transferred to revenue	-	(601,982)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds provided and partly expended on the construction of a pedestrian walk way in Darling East.		
27. 7 <i>Database Performance Management</i>		
Balance unspent at beginning of year	56,000	-
Current year receipts	-	56,000
Conditions met - transferred to revenue	(56,000)	-
Conditions still to be met transferred to liabilities (see note 10)	-	56,000
Funds provided for the development of a performance management database.		

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27. 8 Disaster Fund		
Balance unspent at beginning of year	1,723,936	-
Current year receipts	24,000	1,871,461
Conditions met - transferred to revenue	(1,747,936)	(147,525)
Conditions still to be met transferred to liabilities (see note 10)	-	1,723,936
Funds provided and partly expended on flood damage in Moorreesburg and Chatsworth.		
27. 9 Electricity Riebeeck Kasteel/Kalbaskraal		
Balance unspent at beginning of year	-	435,975
Current year receipts	-	-
Conditions met - transferred to revenue	-	(435,975)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds, administered by the Municipality on behalf of Eskom, in respect of the electrification component of low cost housing projects undertaken.		
27. 10 Electricity: Internal Installations Darling		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(1,254,000)	-
Conditions met - transferred to debtors	1,254,000	-
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds made available by ESKOM for the internal electrification of houses.		
27. 11 Financial Management Grant		
Balance unspent at beginning of year	-	24,271
Current year receipts	750,000	500,000
Conditions met - transferred to revenue	(692,945)	(555,830)
Conditions met - transferred to debtors	-	31,559
Transferred to debtors	(31,559)	-
Conditions still to be met transferred to liabilities (see note 10)	25,496	-
The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, capacity building, the implementation of municipal finance management legislation and regulating policies and compliance with generally accepted municipal accounting practices.		
27. 12 Housing Consumer Education Grant		
Balance unspent at beginning of year	63,795	3,132
Current year receipts	50,000	70,000
Conditions met - transferred to revenue	(30,108)	(9,337)
Conditions still to be met transferred to liabilities (see note 10)	83,687	63,795
Funds allocated for educating first time homeowners.		
27. 13 Housing: Darling		
Balance unspent at beginning of year	6,628,169	2,820,545
Current year receipts	28,741,350	19,703,742
Conditions met - transferred to revenue	(35,369,519)	(15,896,118)
Conditions still to be met transferred to liabilities (see note 10)	-	6,628,169
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
27. 14 Housing Project: Chatsworth (Transfer fees)		
Balance unspent at beginning of year	-	35,696
Current year receipts	-	-
Conditions met - transferred to revenue	-	(35,696)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds were provided to fund transfer and surveying cost payable for the exchange of land acquired for low cost housing.		

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27. 15 Housing Riebeek Kasteel		
Balance unspent at beginning of year	-	1,133,976
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1,133,976)
Conditions still to be met transferred to liabilities (see note 10)	-	-

The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.

27. 16 Ilinge Lethu Advisory Centre		
Balance unspent at beginning of year	139,256	60,025
Current year receipts	140,000	250,000
Conditions met - transferred to revenue	(269,053)	(170,769)
Conditions still to be met transferred to liabilities (see note 10)	10,203	139,256

Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate facility serving the township into a suitable community centre.

27. 17 Ilinge Lethu Multipurpose Centre		
Balance unspent at beginning of year	49,153	33,587
Current year receipts	-	127,500
Conditions met - transferred to revenue	(36,636)	(111,934)
Conditions still to be met transferred to liabilities (see note 10)	12,517	49,153

Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate facility serving the township into a suitable community centre.

27. 18 Ilinge Lethu Housing Project		
Balance unspent at beginning of year	-	18,254
Current year receipts	-	-
Conditions met - transferred to revenue	-	(18,254)
Conditions still to be met transferred to liabilities (see note 10)	-	-

The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.

27. 19 Kalbaskraal Housing Project		
Balance unspent at beginning of year	-	75,458
Current year receipts	-	-
Conditions met - transferred to revenue	-	(75,458)
Conditions still to be met transferred to liabilities (see note 10)	-	-

The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.

27. 20 Kalbaskraal Housing Project (2)		
Balance unspent at beginning of year	-	1,019,078
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1,019,078)
Conditions still to be met transferred to liabilities (see note 10)	-	-

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27. 21 Libraries		
Balance unspent at beginning of year	-	-
Current year receipts	904,000	460,052
Conditions met - transferred to revenue	(903,173)	(460,879)
Conditions met - transferred to debtors	-	827
Transferred to debtors	(827)	-
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds provided for salaries of additional contract workers appointed at the libraries in the area under the jurisdiction of the Swartland Municipality as well as the maintenance of the library buildings.		
27. 22 Malmesbury Saamstaan Housing Project		
Balance unspent at beginning of year	-	49,141
Current year receipts	-	-
Conditions met - transferred to revenue	-	(49,141)
Conditions still to be met transferred to liabilities (see note 10)	-	-
The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.		
27. 23 Masibambani		
Balance unspent at beginning of year	-	-
Current year receipts	-	88,000
Conditions met - transferred to revenue	-	(88,000)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds provided for the compiling of masterplans.		
27. 24 Masterplanning		
Balance unspent at beginning of year	-	-
Current year receipts	150,000	42,000
Conditions met - transferred to revenue	-	(42,000)
Conditions still to be met transferred to liabilities (see note 10)	150,000	-
Funds provided for the compiling of masterplans.		
27. 25 Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	9,675,000	5,769,838
Conditions met - transferred to revenue	(85,203)	(5,769,838)
Conditions still to be met transferred to liabilities (see note 10)	9,589,797	-
Funds made available to the Municipality for the upgrading of existing infrastructure in its area of jurisdiction and/or the erection/construction of new amenities required for service delivery.		
27. 26 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	341,857	414,002
Current year receipts	735,000	735,000
Conditions met - transferred to revenue	(638,712)	(807,145)
Conditions still to be met transferred to liabilities (see note 10)	438,145	341,857

The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, the implementation of GRAP compliant Financial Statements and Asset Register, municipal finance management legislation and regulating policies.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27. 27 Goedgedacht Sportgrounds		
Balance unspent at beginning of year	-	9,350
Current year receipts	-	-
Conditions met - transferred to revenue	-	(9,350)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate sport facilities.		
27. 28 Performance Management		
Balance unspent at beginning of year	-	-
Current year receipts	250,000	-
Conditions met - transferred to revenue	(250,000)	-
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds provided to the Municipality to finance the cost of Performance Management.		
27. 29 Project Preparation Grant		
Balance unspent at beginning of year	-	62,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(62,000)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds provided to the Municipality to finance the cost of the preparation of plans for new housing projects.		
27. 30 Riebeek Kasteel Extension 3 Housing Project		
Balance unspent at beginning of year	-	95,194
Current year receipts	-	-
Conditions met - transferred to revenue	-	(95,194)
Conditions still to be met transferred to liabilities (see note 10)	-	-
The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.		
27. 31 Riebeek Kasteel: Non Motorised Transport		
Balance unspent at beginning of year	-	57,214
Current year receipts	-	-
Conditions met - transferred to revenue	-	(57,214)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds appropriated for and utilized on the construction of pavements and pedestrian walk ways in Riebeek Kasteel town.		
27. 32 Riebeek Wes Koinonia Housing Project		
Balance unspent at beginning of year	-	173,641
Current year receipts	-	-
Conditions met - transferred to revenue	-	(173,641)
Conditions still to be met transferred to liabilities (see note 10)	-	-

The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27. 33 Riverlands/Chatsworth Sport		
Balance unspent at beginning of year	-	243,715
Current year receipts	-	-
Conditions met - transferred to revenue	-	(243,715)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Approval had been obtained from the relevant authority to utilize the funds allocated for the establishment of sport facilities at Riverlands and Chatsworth for the financing of the same kind of facilities at Kalbaskraal, as no land could be made available for the said purpose at the forenamed towns.		
27. 34 Soup Kitchen		
Balance unspent at beginning of year	-	15,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(15,000)
Conditions still to be met transferred to liabilities (see note 10)	-	-
The available allocated funds was, except for an unspent balance at year end, spent on the purchase of food stuff/ingredients in order to provide meals to poor inhabitants of the municipal area.		
27. 35 Spatial Development Framework		
Balance unspent at beginning of year	-	22,926
Current year receipts	-	-
Conditions met - transferred to revenue	-	(22,926)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Financial aid provided to support the Municipality with the process of the drafting of spatial development framework and other town planning initiatives.		
27. 36 Upgrading: Polla Park Township		
Balance unspent at beginning of year	-	1,044,918
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1,044,918)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds allocated and expended in connection with the installation of services and the construction of sanitary conveniences.		
27. 37 Sondeza		
Balance unspent at beginning of year	-	-
Current year receipts	100,000	-
Conditions met - transferred to revenue	(100,000)	-
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds allocated for the establishment and upgrading of sport facilities.		
27. 38 Sport Development		
Balance unspent at beginning of year	-	-
Current year receipts	500,000	-
Conditions met - transferred to revenue	(500,000)	-
Conditions still to be met transferred to liabilities (see note 10)	-	-
Funds allocated and expended in connection with the Zondesa Camp.		

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	Restated 2009 R
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27. 39 Vuna Award		
Balance unspent at beginning of year	2,055,136	45,812
Current year receipts	-	2,750,000
Conditions met - transferred to revenue	(2,055,136)	(105,448)
Previous year's expenditure - transferred to debtors	-	(635,228)
Conditions still to be met transferred to liabilities (see note 10)	-	2,055,136
Prize money for winning the Vuna Award.		
27. 40 Proclaimed Roads Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts	90,000	136,000
Conditions met - transferred to revenue	(90,000)	(136,000)
Conditions still to be met transferred to liabilities (see note 10)	-	-
Expenditure incurred by the Municipality in connection with the maintenance of proclaimed main roads falling under the jurisdiction of the Municipality, in accordance with a budget approved by the PAWC, which costs is partly recoverable from the Administration.		
27. 41 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
28. OTHER INCOME		
Included in other income is the following:-		
Admission Fees: Malmesbury	107,559	98,350
Application: Service Connections	225,240	166,002
Blockages: Sewerage	159,160	76,778
Cancellation Fee: Sale of Erven	53,221	281,500
Capital Contribution (Developers): Fixed	664,789	1,882,231
Cemetery Fees: Darling	72,150	62,997
Cemetery Fees: Malmesbury	171,607	181,432
Cemetery Fees: Moorreesburg	96,859	116,109
Clearance Certificates	55,811	-
Credit Card Cost: Recoverable	74,462	70,653
Deviation of Building Regulation	76,507	-
Efficiency Development	329,096	291,618
Entrance Fees Boats	236,680	238,264
Excess Payment: Insurance Claims	-	307,022
Industrial Sewerage	3,076,405	774,123
New Connections	788,061	1,466,176
Photostats	115,005	91,136
Plan fees: Buildings	872,279	617,437
Plan Fees: Unauthorized Building	108,586	-
Rates: Lessees	101,662	97,651
Refuse Coupons: Malmesbury	117,674	113,371
Refuse Coupons: Moorreesburg	71,488	65,825
Rezoning	65,932	-
Selling: Purified Sewerage Water	425,901	336,635
Street Entrances and Pavements	-	51,344
Subdivisions	55,490	-
Sundries	93,277	308,620
Tampering Fees	51,342	-
Housing Scheme/Private Organisations Loan Instalments	230,151	330,931
Other (less than 50 000)	773,415	999,392
Total Other Income	9,269,809	9,025,597

The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 23 and 24, which are billed to or paid for by the users according to approved tariffs.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
29. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	53,479,488	45,726,576
Employee related costs - Contributions for UIF, pensions and medical aids	14,127,131	12,050,058
Travel, motor car, accommodation, subsistence and other allowances	7,071,540	5,518,637
Housing benefits and allowances	447,404	589,969
Overtime payments	2,944,404	2,883,163
Bonuses: 13th Cheque	3,636,674	3,058,700
Long-service awards	-	-
Contribution to Leave Gratuity	1,250,426	944,793
Contribution to provision for post- retirement medical aid benefits	2,999,995	3,142,110
Contribution to long-service provision	895,304	1,161,052
Contribution to TASK back pay provision	1,367,008	-
Total Employee Related Costs	88,219,374	75,075,058

No advances were made to employees. Loans to employees are set out in note 17.

Remuneration of the Municipal Manager

Annual Remuneration	773,900	703,841
Car Allowance	113,238	168,652
Long-service award	-	3,200
Other	6,123	10,684
Contributions to UIF, Medical and Pension Funds	208,594	170,022
Total	1,101,855	1,056,399

Remuneration of the Chief Finance Officer

Annual Remuneration	433,140	395,140
Car Allowance	179,543	190,205
13 th Cheque	36,095	32,928
Long-service award	-	51,296
Leave Pay	25,399	47,445
Other	2,528	6,016
Contributions to UIF, Medical and Pension Funds	127,510	108,609
Total	804,215	831,639

*Remuneration of Individual Executive Directors***30 June 2010**

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
Annual Remuneration	421,938	489,800	408,425	430,400	394,905
Car Allowance	60,038	84,904	159,290	128,563	175,200
Long-service award	-	-	-	-	23,728
13 th Cheque	2,278	-	34,035	35,867	32,909
Leave Pay	-	-	44,045	-	23,728
Acting Allowance	4,940	-	-	-	-
Other	783	-	2,089	1,303	6,424
Contributions to UIF, Medical and Pension Funds	110,603	123,893	128,052	130,872	112,899
Total	600,580	698,597	775,936	727,005	769,793

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

29. EMPLOYEE RELATED COSTS (continued)

30 June 2009

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
Annual Remuneration	355,838	450,310	371,495	453,335	385,525
Car Allowance	142,808	87,582	172,817	101,307	189,748
Long-service award	-	14,511	5,179	145,412	-
13 th Cheque	30,001	-	30,958	-	-
Leave Pay	19,731	-	-	-	21,913
Acting Allowance	2,711	-	-	-	-
Other	5,858	6,850	5,659	6,896	5,871
Contributions to UIF, Medical and Pension Funds	74,781	106,388	109,132	122,862	101,035
Total	631,728	665,641	695,240	829,812	704,092

2010
R **2009**
R

The following accrued to key management personnel in terms of IAS 19 as at 30 June:

Post Retirement Medical Aid Benefit Liability:

Municipal Manager	59,728	80,562
Chief Financial Officer	80,307	71,628
Executive Director: Corporate Services	74,059	52,194
Executive Director: Civil Engineering Services	142,778	123,062
Executive Director: Electrical Engineering Services	101,344	69,226
Executive Director: Development Services	137,871	128,205
Executive Director: Protection Services	83,039	64,538
Total	679,126	589,415

Long Service Awards Liability

Municipal Manager	67,507	67,634
Chief Financial Officer	52,142	51,172
Executive Director: Corporate Services	74,098	40,470
Executive Director: Civil Engineering Services	19,645	31,742
Executive Director: Electrical Engineering Services	39,708	32,767
Executive Director: Development Services	36,398	31,707
Executive Director: Protection Services	38,154	46,731
Total	327,652	302,223

Staff leave

Municipal Manager	165,707	161,968
Chief Financial Officer	64,971	45,046
Executive Director: Corporate Services	79,224	12,119
Executive Director: Civil Engineering Services	118,590	123,438
Executive Director: Electrical Engineering Services	115,225	98,862
Executive Director: Development Services	109,322	115,147
Executive Director: Protection Services	62,395	49,393
Total	715,434	605,973

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	346,937	321,930
Deputy Executive Mayor	253,775	255,600
Speaker	274,542	255,600
Mayoral Committee Members	451,653	696,150
Councillors	1,396,291	1,209,983
Councillor's - pension contribution	410,256	411,160
Councillor's - medical aid contribution	339,543	343,973
Councillor's - insurance unemployment	29,420	29,085
Councillor's - travelling allowances	1,156,977	1,164,665
Councillor's - telephone allowances	239,358	234,039
Total Councillors - Remuneration	4,898,752	4,922,185

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

31. DEPRECIATION AND AMORTISATION		Restated
Depreciation: Property, Plant and Equipment (Refer note 14)	70,441,526	64,742,523
Amortisation: Intangible Assets (Refer note 15)	25,170	11,619
Depreciation: Investment Property (Refer note 16)	50,850	50,850
Total Depreciation and Amortisation	70,517,546	64,804,992

32. INTEREST PAID		
Long-term liabilities	7,132,329	5,149,770
Finance Leases	148,496	201,682
Total Interest on External Borrowings	7,280,825	5,351,452

33. BULK PURCHASES		
Electricity	63,251,011	46,572,082
Water	14,648,798	13,212,367
Total Bulk Purchases	77,899,809	59,784,449

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the West Coast District Municipality.

34. GRANTS AND SUBSIDIES PAID		
* Darling Focus	40,000	40,000
* Huis van Heerde	25,000	25,000
SPCA	168,540	168,540
* Elkana Childcare	45,000	40,000
* Multipurpose Centre: Chatsworth	-	-
* Multi Purpose Centre: Illinge Lethu	45,039	66,442
* Multi Purpose Centre: Kalbaskraal	4,400	994
* Multi Purpose Centre: Moorreesburg	-	40,000
Museum - Malmesbury	37,450	36,900
Museum - Darling	37,450	36,900
Museum - Oude Kerk	37,452	36,900
Museum - Wheat Industry	37,450	36,900
National Sea Rescue Institute	26,316	26,316
* Night Shelter	25,000	25,000
* "Ons Kan" Training Centre	-	20,000
Tourism Swartland and Coastal Area	578,090	560,446
Yzerfontein Conservancy	50,000	50,000
Total Grants and Subsidies	1,157,187	1,210,338

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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34. GRANTS AND SUBSIDIES PAID (continued)

Due to the need in the Swartland Municipal area for expert services and resources to support effective domestic animal management initiatives and controls, for which the Municipality do not have the resources, it is deemed necessary, from a perspective of serving the community, for the Municipality to contribute financially towards the operational costs of the SPCA.

* The aim of **these organisations** entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

Museums generally do not generate sufficient income from own resources and are, therefore dependant on financial aid from the public and organisations to meet their financial needs and obligations. The Municipality, consequently regards it appropriate to contribute financially to this end.

Aware of the importance of the promotion of tourism in the area falling under the Municipality, the Council deems it their duty and privilege to assist financially towards the needs of the various **tourism bureau's** serving the area.

The **Yzerfontein Urban Conservancy** came into being to preserve and promote, on a voluntary basis, the conservation of the environment and heritage in, specifically, the sensitive coastal region within the boundaries of the Yzerfontein Local Nature Reserve. Financial assistance by the Municipality is intended to enable the Organisation to fund its programmes.

35. RESEARCH AND DEVELOPMENT COSTS

Electricity	100,000	-
Water	91,655	101,611
Sewerage	104,211	51,796
General	-	61,404
Total Research and Development Costs	295,866	214,811

Research and Development Costs disclosed above, have been expensed immediately and are in respect of research into the future needs of the municipality and new resources to fulfil these needs.

36. GENERAL EXPENSES**Restated**

Included in general expenses is the following:-

Administration Costs: Vehicles	82,850	79,202
Advertisements	506,529	463,540
Allowances: Ward Committee	-	25,281
Audit Committee Expenditure	34,774	28,891
Audit Costs	1,312,873	1,060,081
Bank costs	425,886	474,068
Chemicals	905,992	816,591
Commission	1,089,531	985,773
Connection Fees	845,998	1,537,115
Connection Fees: Eskom	15,178,229	-
Consumables	487,023	450,327
Delegations/Congresses	60,938	77,414
Disaster Management	77,222	236,994
Efficiency Development	638,275	531,669
Entertainment	42,669	41,161
Evaluation of Posts	-	3,531
Fuel and Oil	3,516,704	4,009,413
Operating Lease Expenditure	143,272	256,092
Infrastructure: Asset Stocktake	-	-
Infrastructure: Civil Survey	-	-
Insurance	690,422	896,505
Inventory: Tools and Equipment	47,816	47,617
Job Creation	-	-
LED Projects: Red Door	66,762	115,184
Legal Fees	272,975	497,552
Licenses: Computer Systems	1,310,610	1,106,789
Masterplanning: Services	295,866	214,811
Mayor Expenses	4,477	24,796

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
36. GENERAL EXPENSES (continued)		
Membership Fees: Council	434,186	200,185
Postage	775,279	604,829
Printing and Stationery	628,488	610,445
Projects	460,201	508,822
Protective Clothing	588,585	632,071
Refreshments: Offices	124,316	97,918
Rental of Facilities and Hiring of Equipment	353,048	632,992
Security Services	778,312	840,362
Subscriptions	81,948	109,621
Telecommunications	1,342,224	1,291,375
Test Station Inspection Fees	20,300	15,919
Testing Sewerage	222,385	178,508
Traffic Fines	2,560,888	1,872,518
Training	163,602	186,731
Travelling Costs	299,629	461,707
Youth Camp (Africa Union)	375,858	427,310
Departmental Rates and Service Charges	5,844,509	4,464,299
Government Grant Expenditure	44,192,099	16,344,845
Other	5,075,855	7,438,107
Total General Expenses	92,359,405	50,898,961

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and is not directly attributable to a specific service or class of expense.

37. CASH GENERATED BY OPERATIONS

		Restated
Surplus for the year	(34,291,367)	(1,238,943)
Depreciation and Amortisation	70,517,546	64,804,992
Write- off of property, plant and equipment	8,787	453,886
Gain on disposal of property, plant and equipment	(2,705,355)	(213,883)
Increase/(Decrease) in provisions	2,698,693	2,871,198
Increase/(decrease) in consumer deposits	517,314	346,040
Accrual for interest on loans	1,176,507	-
Investment income	(13,376,892)	(18,327,478)
Interest paid	7,280,825	5,351,452
Operating surplus before working capital changes:	31,826,058	54,047,264
(Increase)/decrease in inventories	459,823	3,475,574
(Increase)/decrease in consumer debtors	(4,609,362)	(5,147,471)
(Increase)/decrease in other debtors	(10,714,615)	2,119,873
(Decrease)/increase in unspent conditional grants and receipts	699,146	2,451,356
Increase/(Decrease) in the net operating lease liability	53,579	(35,670)
Increase/(Decrease) in creditors	4,621,239	1,787,611
Increase/(Decrease) in VAT	5,294,461	(1,962,772)
Cash generated by/(utilised in) operations	27,630,329	56,735,765

38. CASH AND CASH EQUIVALENTS

Bank balances and cash	188,241,878	197,752,511
Petty Cash Advances	17,130	13,530
Total cash and cash equivalents	188,259,008	197,766,041

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account) (OTM account)

ABSA Bank Limited - Public Sector: Account Number 40 5369 2381

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
38.. CASH AND CASH EQUIVALENTS (continued)		
<u>Current Account</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 1741		
Bank statement balance at beginning of year	194,978,881	129,649,497
Bank statement balance at end of year	185,511,774	194,978,881
<u>Current Account (ACB account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2399		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Current Account (Cash account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2466		
Bank statement balance at beginning of year	-	5,000
Bank statement balance at end of year	-	-
<u>Summary</u>		
Cash book balance at beginning of year	197,752,511	133,752,148
Cash book balance at end of year	188,241,878	197,752,511
Bank statement balance at beginning of year	194,978,881	129,654,497
Bank statement balance at end of year	185,511,774	194,978,881
For the purposes of the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6.25 % to 7.25 % per annum.		
Interest on overdrawn current accounts is charged at prime less 0.5 % per annum and earn interest at different rates per annum on favourable balances.		
Management of the municipality is of the opinion that the carrying value of Bank Balances and Cash recorded at amortised cost in the financial statements approximate their fair values.		
The fair value of Cash and Cash Equivalents were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.		
39. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The Municipality was engaged in exchange transactions of non- monetary assets during the year. Various municipal properties were exchanged for similar assets acquired from the registered owners.		
40. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	1,000,000	1,000,000
	1,000,000	1,000,000

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 4)	67,493,322	70,682,944
Used to finance property, plant and equipment - at cost	67,493,322	70,682,944
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	4,694,718	3,320,984
Cash invested for repayment of long-term liabilities	4,694,718	3,320,984
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the upcoming annual payment for long-term liabilities can be made.		
42. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
42. 1 <u>Unauthorised expenditure</u>		
To the best of knowledge no unauthorised expenditure was incurred during the year under review.		
42. 2 <u>Fruitless and wasteful expenditure</u>		
To the best of knowledge instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review were not revealed.		
42. 3 <u>Irregular expenditure</u>		
To the best of knowledge instances of note indicating that irregular expenses was incurred during the year under review were not revealed.		
43. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
43. 1 <u>Contributions to organized local government</u>		
Opening balance	-	-
Council subscriptions	398,685	248,252
Amount paid - current year	(398,685)	(248,252)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
43. 2 <u>Audit fees</u>		
Opening balance	-	-
Current year audit fee	1,418,339	1,104,736
Amount paid - current year	(1,418,339)	(1,104,736)
Amount written back - previous years	-	-
Balance unpaid (included in creditors)	-	-
43. 3 <u>VAT</u>		
VAT input receivables and VAT output payables are shown in note 11 and 22. All VAT returns have been submitted by the due date throughout the year.		
43. 4 <u>PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	8,335,155	7,049,122
Amount paid - current year	(8,335,155)	(7,049,122)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

43.. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

43. 5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	12,551,543	10,827,708
Amount paid - current year	(12,551,543)	(10,827,708)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

43. 6 Councillor's arrear consumer accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

43. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents as listed hereunder have been condoned.

Incident	Reasons submitted for non-compliance	Amount
Appointment of Triple E Training Holdings as services provider for adult Education of employees of Council. Item 6.4 of the minutes of the Executive Mayoral Committee held on 22 July 2009.	The service provider has been engaged in the previous training phase of workers and is therefore familiar with the level of progress and skills already achieved by some of the learners. Council is convinced that to continue with the services of Triple E Training Holdings to further the Municipality's training program best serve its interest as the training emanates from the previous phases.	R 1,797 per learner
Appointment of Lynders Consulting Engineers for the Final Planning and Implementation of the Lotto-Projects. Item 6.8 of the minutes of the Executive Mayoral Committee held on 22 July 2009.	Lynders Consulting Engineers is a specialist in the establishment of sport facilities and was imposed to prepare the business plans and performed the ground work for the application of funds regarding the various sport grounds projects in the area. It would therefore be practical and beneficial to appoint them to execute the final planning and monitoring of the Lotto-Projects that have been allocated to Wesbank -, Ilinge Lethu -, Koringberg - and Abbotsdale sport fields.	
Appointment of EKKO Marketing & People Development for the implementation of the Client Services Charter. Item 7.7 of the minutes of the Executive Mayoral Committee held on 18 August 2009.	(i) EKKO Marketing & People Development has compiled the Client Services Charter for the Municipality and is therefore well-acquainted with the service model to ensure the most effective method of implementation. (ii) It is impractical and not cost-effective to proceed with the tender process to appoint possible other consultants to implement the Client Service Charter as they were not involved in the development thereof and will have insufficient background knowledge of the service model.	R 260,228
Appointment of ITS Consulting Engineers for the Rural Road Network Study. Item 7.11 of the minutes of the Executive Mayoral Committee held on 16 September 2009.	(i) ITS Consulting Engineers was responsible for the composition of the Integrated Transport Plan for the West Coast District Municipality and the Master Transport Plan for Malmesbury. It is therefore practical and beneficial to appoint them to compose the Rural Road Network Study as well, due to their involvement in similar projects in the area. (ii) Municipality funds will not be utilised as costs for the appointment of the service provider will be limited to the contribution by PPC. The fees will be determined according to established rates for the engineering profession.	

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

43.. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

43. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (Continued)

Incident	Reasons submitted for non-compliance	Amount
Appointment of Messrs De Villiers and Moore Consulting Engineers for the updating of the master plan for electrical networks and negotiations with Eskom and other role-players during the 2009/2010 financial year. Item 6.2 of the minutes of the Portfolio Committee (Technical) held on 7 October 2009.	Messrs De Villiers & Moore Consulting Engineers was appointed for the following practical and technical reasons: (i) the firm compiled the existing master plans. (ii) the firm is thoroughly conversant with the existing electrical networks and the proposed developments. (iii) the firm was engaged in negotiations with Eskom, Town Planners, Engineers and Environmental Consultants with respect to the developments and the environmental impact study for the Eskom Klipfontein substation. (iv) the firm was instrumental with respect to the application and negotiations with Eskom to procure an acceptable quotation for the Klipfontein substation. (v) It is essential that the interests of the municipality be protected in the further negotiations. The professional fees will be based on the latest remuneration scales of the Engineering Council of South Africa and that the extent of the work during 2009/2010 be limited to the available funding. Subject to the approval and availability of funding for master planning in the forthcoming financial years, the appointment of Messrs de Villiers & Moore consulting engineers for master planning will be extended to 2010/2011 and 2011/2012 in order to ensure continuity with respect to the execution of the project.	R 114 000,
Appointment of ITS Consulting Engineers for the upgrading and adjustment of the Bokomo Road/ Voortrekker Road traffic light. Item 3.1 of the minutes of the Executive Mayoral Committee held on 27 October 2009.	(i) ITS Consulting Engineers have already completed a detailed study with regards to the Master Transport Plan for Malmesbury and it is therefore practical and beneficial to appoint them for the upgrading and programming of the traffic light at Bokomo Road/ Voortrekker Road. (ii) The malfunction of the control unit has created a dangerous environment for both pedestrians and traffic and is regarded as an emergency.	R 450,000
Utilisation of Northlink College for apprenticeship training. Item 6.4 of the minutes of the Executive Mayoral Committee held on 11 November 2009.	Northlink College is the only accredited service provider in the Western Cape that presents the required apprenticeship training and it would therefore be impractical and not cost-effective to attend the training in another province.	R 47,319
The allocation of a quotation to Ajubu Promotions for the purchase of T-shirts and tops for the learners of the Sondeza Afri - Youth camp. Item 7.6 of the minutes of the Executive Mayoral Committee held on 9 December 2009.	Three written price quotations have been obtained in accordance with the SCM policy, but was in excess of R30 000 (VAT included). The policy stipulates that all requirements in excess of R30 000 should be advertised for at least seven days on the website and the official notice boards of the municipality. Due to the unforeseen situation of the prices being slightly in excess of the prescribed limit, it would be impractical and unfair to obtain further tenders as prices are already known of those suppliers that submitted quotations.	R 31 476,

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

43.. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

43. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (Continued)

Incident	Reasons submitted for non-compliance	Amount
Appointment of SKC and M Consulting Engineers for the final planning and execution of the Kalbaskraal - Malmesbury Water supply project. Item 7.9 of the minutes of the Executive Mayoral Committee held on 16 September 2009.	SKC and M Consulting Engineers was involved in the preliminary survey and cost estimates for this project and it would therefore be practical and beneficial to appoint them to execute the final phase of the planning as well as to monitor/supervise the water-conducting project between Kalbaskraal - Malmesbury.	
Appointment of Spazatainer for the installation of two air-conditioners and the construction of a roof over the Container-Library at Chatsworth. Item 7.8 of the minutes of the Executive Mayoral Committee held on 17 February 2010	(i) Spazatainer was responsible for the erection of the Container-Library at Chatsworth and the only service provider that tendered for the project. (ii) Spazatainer was still on site, but due to a misunderstanding between them and the Project Manager, the installation of the two air-conditioners and the construction of a roof over the Container-Library were performed without a formal works order being issued. (iii) It would therefore be impractical to demolish the work already being executed and to obtain other tenders as this would have delayed the project by a further eight to nine weeks.	R 49 020,
The purchase of another street-cleansing vehicle from JB's Nissan as an extension to the Tender 05/09/10 of September 2009. Item 3.1 of the minutes of the Tender Awarding Committee held on 23 April 2010.	JB's Nissan agreed to supply an additional vehicle for the same tender price as an extension to Tender 05/09/10 of September 2009 which is in compliance with clause 33 of the general tender conditions stated in the tender documents.	R 321,318
Appointment of Britlow Construction for the conversion of part of the building at Rosenhof Sports grounds, Moorreesburg into residence for a temporary caretaker. Item 7.16 of the minutes of the Executive Mayoral Committee held on 19 May 2010.	(i) Britlow Construction was on site busy with similar construction work and it would therefore be impractical to appoint another service provider. (ii) The urgency to provide on site accommodation for the presence of the caretaker during working - and after hours was regarded as an emergency due to repairs to the pavilion and other structures already being vandalised during the execution phase.	R 35,170
Appointment of Plastic Ominium for the purchase of recycling containers. Item 7.9 minutes of the Executive Mayoral Committee held on 9 June 2010.	(i) Plastic Ominium is the sole supplier of the recycling igloos. (ii) Due to the limited time towards the financial year-end the prescribed procurement procedures were not followed and the purchase was regarded as an unusual situation.	R 790,020
Appointment of Breërvier Training Development for training of Vehicle Operators. Item 6.3 minutes of the Executive Mayoral Committee held on 21 July 2010.	During March and April 2010 fifty one vehicle operators had been trained. Eight Operators could not be trained during this period due to several reasons, and the supplier was willing to supply the training for 2 additional days.	R 31,302
Appointment of Mubesko Africa for assistance to comply with National Treasury regulations for reporting formats of budget. Item 7.13 minutes of the Executive Mayoral Committee held on 18 August 2010.	Due to the lack of capacity in the budget office, and the fact that the due date for reporting has already expired, the Municipal Manager requested Mubesko Africa to assist with the budget reforms on reporting of budget, as they are already involved as consultants at several municipalities regarding "Budget Reforms".	R 85,455

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
44. CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure:			
- Approved and contracted for		8,880,000	19,608,000
Infrastructure		8,880,000	19,608,000
Other		-	-
- Approved but not yet contracted for		77,723,200	41,520,000
Infrastructure		64,712,000	23,785,000
Community		4,380,000	11,600,000
Heritage		-	-
Other		8,631,200	6,135,000
Total		86,603,200	61,128,000
This expenditure will be financed from:			
- External Loans		14,197,000	15,200,000
- Capital Replacement Reserve		36,521,200	20,933,000
- Government Grants		35,885,000	24,995,000
		86,603,200	61,128,000
45. FINANCIAL INSTRUMENTS			Restated
45.1 Classification			
Financial Assets			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:			
Long-term Receivables			
Loans to Public Organisations	Loans and receivables	266,285	276,327
Finance Lease Receivables			
Car loans	Loans and receivables	-	-
Housing Selling Scheme Loans	Loans and receivables	256,448	358,994
Consumer Debtors			
Rates	Loans and receivables	6,687,654	5,596,976
Electricity	Loans and receivables	14,109,863	11,586,909
Water	Loans and receivables	3,758,392	3,308,434
Sewerage	Loans and receivables	2,685,841	2,394,310
Refuse Removal	Loans and receivables	2,064,203	1,858,905
Housing Rentals	Loans and receivables	103,527	54,584
Other Debtors			
Insurance claims	Loans and receivables	9,821	26,726
Government grants and subsidies	Loans and receivables	9,137,559	32,387
Proclaimed roads subsidies	Loans and receivables	-	-
Sundry debtors	Loans and receivables	4,282,010	2,442,914
Current Portion of Long-term Receivables			
Loans to Public Organisations	Loans and receivables	10,042	9,031
Current Portion of Finance Lease Receivables			
Car loans	Loans and receivables	-	47,860
Housing Selling Scheme Loans	Loans and receivables	32,102	74,069
Bank Balances and Cash			
Bank Balances	Loans and receivables	188,241,878	197,752,511
Cash Floats and Advances	Loans and receivables	17,130	13,530
Total Financial Assets		231,662,755	225,834,467

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
45. FINANCIAL INSTRUMENTS (continued)			
45. 1 Classification (Continued)			
Financial liabilities			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial liability</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	62,162,687	66,468,247
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	5,414,982	4,897,668
Creditors			
Trade creditors	Financial liabilities at amortised cost	29,604,958	25,748,346
Retentions	Financial liabilities at amortised cost	1,293,257	1,067,703
Staff leave	Financial liabilities at amortised cost	4,552,857	3,726,633
Other creditors	Financial liabilities at amortised cost	3,727,279	3,392,608
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	4,339,134	3,026,622
Capitalised Lease Liability	Financial liabilities at amortised cost	355,584	294,362
Total Financial Liabilities		111,450,738	108,622,189

45. 2 Fair Value of Financial Instruments

Management of the municipality is of the opinion that the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

45. 3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2007.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2 and 38 and the Statement of Changes in Net Assets.

<u>Gearing Ratio</u>	2010 R	2009 R
The gearing ratio at the year-end was as follows:		
Debt	67,493,322	70,682,944
Bank Overdraft	-	-
Net Debt	67,493,322	70,682,944
Equity	1,581,949,144	1,616,240,511
Net debt to equity ratio	4.27 %	4.37 %

Debt is defined as Long- and Short-term Liabilities as detailed in Note 4.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

45. FINANCIAL INSTRUMENTS (continued)

45. 4 Financial Risk Management Objectives

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

45. 5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

45. 6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 45.7 below). No formal policy exists to hedge volatilities in the interest rate market.

45. 6. 1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instrument at year-end with variable interest rates are set out in 49.7 and below.

- If interest rates had been 100 basis points higher/lower and all other variables were held constant, the municipality's surplus for the year ended 30 June 2010 would have decreased/increased by R 1,924,545 (2009: decreased/increased by R 1,651,486). This is mainly attributable to the municipality's exposure to interest rates on its variable rate short term deposits.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the reduction in the interest rate of the variable rate financial assets.

45. 7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 40 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.(cash).

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

45. FINANCIAL INSTRUMENTS (continued)

45. 7 Liquidity Risk Management (continued)

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative **financial liabilities**. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2010

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
INTEREST-BEARING INSTRUMENTS					
FIXED RATE INSTRUMENTS					
Unsecured Bank Facilities		5,490,016	5,490,016	10,980,035	21,960,067
Development Bank	12.00	307,040	307,040	614,081	1,228,161
Development Bank	15.50	549,671	549,671	1,099,345	2,198,687
Development Bank	9.67	149,206	149,206	298,411	596,823
Development Bank	9.575	2,485,835	2,485,835	4,971,670	9,943,340
INCA	11.60	1,998,264	1,998,264	3,996,528	7,993,056
VARIABLE RATE INSTRUMENTS					
Unsecured Bank Facilities		52,537	50,816	98,139	201,492
Development Bank	9.575	52,537	50,816	98,139	201,492
Total Interest-bearing Instruments		5,542,553	5,540,832	11,078,174	22,161,559
NON-INTEREST-BEARING INSTRUMENTS					
Current liabilities					
Consumer deposits		5,413,516	-	-	5,413,516
Creditors		37,991,321	-	-	37,991,321
Capitalised Lease Liability		355,584	-	-	355,584
Total Non-Interest-bearing Instruments		43,760,421	-	-	43,760,421
TOTAL UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES		49,302,974	5,540,832	11,078,174	65,921,980

30 June 2010 (continued)

Description	Average effective Interest Rate	Total brought forward	2 - 5 Years	More than 5 Years	Total
	%	R	R	R	R
INTEREST-BEARING INSTRUMENTS					
FIXED RATE INSTRUMENTS					
Unsecured Bank Facilities		21,960,067	26,945,304	77,976,892	126,882,263
Development Bank	12.00	1,228,161	1,842,242	1,842,235	4,912,638
Development Bank	15.50	2,198,687	3,298,026	3,847,703	9,344,416
Development Bank	9.67	596,823	895,234	2,685,622	4,177,679
Development Bank	9.67	9,943,340	14,915,009	69,601,332	94,459,681
INCA	11.60	7,993,056	5,994,793	-	13,987,849
VARIABLE RATE INSTRUMENTS					
Unsecured Bank Facilities		201,492	263,127	334,251	798,870
Development Bank	12.46	201,492	263,127	334,251	798,870
Total Interest-bearing Instruments		22,161,559	27,208,431	78,311,143	127,681,133

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

45. FINANCIAL INSTRUMENTS (continued)

45. 7 Liquidity Risk Management (continued)

Liquidity and Interest Risk Tables (continued)

30 June 2010 (continued)

Description	Average effective Interest Rate	Total brought forward	2 - 5 Years	More than 5 Years	Total
NON-INTEREST-BEARING INSTRUMENTS					
Current liabilities					
Consumer deposits		5,413,516	-	-	5,413,516
Creditors		37,991,321	-	-	37,991,321
Capitalised Lease Liability		355,584	-	-	355,584
Total Non-Interest-bearing Instruments		43,760,421	-	-	43,760,421
TOTAL UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES		65,921,980	27,208,431	78,311,143	171,441,554

30 June 2009

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total
	%	R	R	R	R
Variable Interest Rate Instruments	12.46	40,360,737	64,377	123,909	40,549,023
Fixed Interest Rate Instruments	13.03	4,676,427	5,022,428	10,980,032	20,678,887
		45,037,164	5,086,805	11,103,941	61,227,910

30 June 2009 (continued)

Description	Average effective Interest Rate	Total brought forward	2 - 5 Years	More than 5 Years	Total
	%	R	R	R	R
Variable Interest Rate Instruments	12.46	40,549,023	327,792	457,874	41,334,689
Fixed Interest Rate Instruments	13.03	20,678,887	30,941,836	84,960,396	136,581,119
		61,227,910	31,269,628	85,418,270	177,915,808

The municipality has access to financing facilities, the total unused amount which is R 1,000,000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

45. 8 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

45. FINANCIAL INSTRUMENTS (continued)

45.8 Credit Risk Management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

	2010 R	2009 R
Fixed Deposit Investments	-	-
Long-term Receivables	276,327	333,218
Consumer Debtors	33,155,740	27,922,732
Other Debtors	14,407,095	3,772,062
Finance lease receivables	288,550	433,063
Bank Guarantees	70,900	57,100
Bank and Cash Balances	188,259,008	197,766,041
Maximum Credit and Interest Risk Exposure	236,457,620	230,284,216
The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates:		
Consumer debtors		
Group 1	13,594,066	16,070,080
Group 2	344,517	209,398
Group 3	1,023,775	1,154,658
Total: Consumer Debtors	14,962,357	17,434,136
Long- Term Receivables		
Group 1	276,327	333,218
Group 2	-	-
Group 3	-	-
Total: Long- Term Receivables	276,327	333,218
Finance lease receivables		
Group 1	288,550	433,063
Group 2	-	-
Group 3	-	-
Total finance lease receivables	288,550	433,063
Other debtors		
Group 1	3,156	9,349
Group 2	3,665	1,470
Group 3	254,777	283,785
Total other debtors	261,599	294,604
Bank balances		
ABSA Bank limited	188,259,008	197,766,041

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

45. FINANCIAL INSTRUMENTS (continued)

45.8 Credit Risk Management (continued)

- Group 1 - High certainty of timely payment. Risk of non- payment is considered to be low as these receivables maintained a payment rate of more than 70 %.
- Group 2 - Reasonable certainty of timely payment. The risk of non- payment is considered to be moderate as these receivables maintained a payment rate of 50 - 70 % during the year.
- Group 3 - The risk factors of non- payment are larger as these receivables had a payment rate of below 50 % during the year.

46. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The personnel of the Swartland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is defined benefit plan, whereas the Cape Joint Retirement Fund, Municipal Councillors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

CAPE PENSION FUND

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

The defined benefit scheme is a multi-employer plan and the contribution rate payable is 9 %, by the members and 18 % by Council which is less than the recommended rate of 32.1 %. The last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R 0,00 million (R 182,73 million) with a funding level of 100,0 % (106,5 %), a solvency reserve with a closing balance of R 220,6 million (R 0.00), and is in a sound financial state as at 30 June 2009.

The actuarial valuation report at 30 June 2009 indicated that the defined contribution scheme of the fund is in a sound financial position, with a funding level of 100.3% (2008: 103.3%).

CAPE RETIREMENT FUND

The contribution rate paid by the members (9,0 %) and Council (18,0 %) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R 119,9 million (R 42,93 million) with a funding level of 131,9 % (112.2 %). Certified in a sound financial position as at 30 June 2009.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken at 30 June 2007 and was reported to be in a sound financial position. The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 7,5 % by the members 18 % by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2005 certified that the fund is in a sound financial state.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

46. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9.00 % and by the council is 18.00 %.

The latest voluntary valuation was done on 30 June 2008 (30 June 2007). As at 30 June 2008 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund records.

None of the above mentioned plans are state plans.

47. RELATED PARTY TRANSACTIONS

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

<i>47. 1 Services rendered to related parties</i>	Rates	Service Charges	Other	Outstanding Balances
30 June 2010				
Councillors	30,398	141,951	1,552	12,903
Municipal Manager and Section 57 Personnel	36,202	93,065	-	9,444
Total	66,600	235,016	1,552	22,347
30 June 2009				
Councillors	37,565	117,960	1,364	12,496
Municipal Manager and Section 57 Personnel	34,113	80,971	-	6,716
Total	71,678	198,931	1,364	19,212

The rates, service and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

47. 2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.

47. 3 Compensation of key management personnel

The compensation of key management personnel is set out in note 29.

47. 4 Other related party transactions

The Municipality entered into business transactions during the financial year under review with the service provider mentioned below. The said providers are considered to be related parties as they are in some way or other connected to the Municipality, either as councillor or family tie to employees of the Municipality. These transactions were duly concluded in compliance with the provisions of the Supply Chain Management Policy of the Municipality.

Service Provider	Value of Transaction	Name of Councillor/Employee	Relation to Service Provider
Black Bird Trading 49 CC	R 133,217.00	M Smit	Spouse
Riebeek Construction	R 144,417.00	H Appolis	Step Father

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

48. CONTINGENT LIABILITY

Guarantees in favour of Eskom	70,900	57,100
Guarantees in favour of South African Post Office Limited	100,000	100,000
	170,900	157,100

Bank guarantees provided to Eskom for the supply of electricity to the Municipality for distribution amongst consumers. The guarantees is covered to a large extend by cash deposits recovered from the individual consumers of electricity within the municipal area.

A bank guaranty has been obtained from ABSA Bank and issued to the SA Post Office which serves as security in respect of the payment for the monthly delivery of the municipal accounts.

49. CONTINGENT ASSET

The Municipality was not engaged in any transaction or event during the year under review giving rise to a contingent asset.

50. IN-KIND DONATION AND ASSISTANCE

The Municipality received the Darling swimming pool as a donation during the year under review.

51. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

52. PRIVATE PUBLIC PARTNERSHIPS

The Municipality has as yet not entered into a public-private partnership agreement with any private party.

53. EVENTS AFTER THE REPORTING DATE

No events having significant financial implications requiring disclosure occurred subsequent to 30 June 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY

(a) i) Correction of error - Previous period transactions

A number of errors in prior period transactions were discovered and corrected in the current financial period. These errors include incorrect property rate charges, faulty meter readings and levies in respect of service charges. These corrections have been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease / (increase) in Revenue	82,104
Property rates	61,831
Service charges	134,847
Interest earned - outstanding debtors	20,759
Rental of facilities and equipment	(750)
Other revenue	(134,583)
Decrease/(Increase) in surplus for the year ended 30 June 2009	82,104
Increase/(decrease) in Consumer debtors	(217,437)
Property rates	(82,388)
Electricity	43,657
Water	(186,016)
Sewerage	12,257
Refuse removal	(4,947)
Increase/(decrease) in Other Debtors	135,333
Sundry debtors	135,333

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

(a) ii) Correction of error - *Equitable share*

In 2008/09 a portion of the equitable share granted to indigent households remained unused and appeared as credits on consumer debtor accounts - these transactions and consumer accounts were adjusted to reflect correct amounts in the comparative year. This correction has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Increase/(decrease) in General expenses	(3,682)
<i>Government Grant Expenditure</i>	(3,682)
Decrease/(Increase) in surplus for the year ended 30 June 2009	(3,682)
Increase/(decrease) in Consumer debtors	3,682
<i>Property rates</i>	141
<i>Electricity</i>	2,962
<i>Water</i>	74
<i>Sewerage</i>	462
<i>Refuse removal</i>	43

(a) iii) Correction of error - *Disputes with creditors*

Certain payments to creditors were not made during the 2008/09 financial period due to disputes regarding amounts payable. As a result the expenditure and accrual regarding the creditors were not reflected in the 30 June 2009 financial statements - these expenditures and creditors were adjusted to reflect correct amounts in the comparative year. This correction has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Increase/(decrease) in General expenses	67,154
<i>Other</i>	67,154
Decrease/(Increase) in surplus for the year ended 30 June 2009	67,154
(Increase)/decrease in creditors	(67,154)
<i>Trade creditors</i>	(67,154)

(a) iv) Correction of error - *Disputes with creditors*

During the 2007/08, an estimate of pre-paid electricity revenue (payments received in advance) was made at year-end; this estimate is reversed when actual revenue is accounted for in the following year. However, this estimate was erroneously not reversed during the 2008/09 financial. This error has been corrected retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease / (increase) in Revenue	(541,703)
<i>Service charges</i>	(541,703)
Decrease/(Increase) in surplus for the year ended 30 June 2009	(541,703)
Decrease/(Increase) in Creditors	541,703
<i>Payments received in advance</i>	541,703

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

(a) v) Correction of error - Riebeeck Kasteel electricity network transferred to Eskom

During unbundling of infrastructure assets by the consulting engineers it was discovered that the electricity network at Riebeeck Kasteel was erroneously included as part of the municipality's assets, and the related expenditure capitalised during 2007/08 and 2008/09. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	777,655
(Decrease) in Assets 30 June 2008 (opening balance 2008/2009)	(777,655)
Property, Plant and Equipment at cost	(777,655)
Accumulated depreciation	-
Increase/(decrease) in General expenses	402,983
Infrastructure: Electricity	402,983
Increase/(decrease) in Depreciation and Amortisation	(19,569)
Decrease/(Increase) in surplus for the year ended 30 June 2009	383,414
(Decrease) in Assets	(1,161,069)
Property, Plant and Equipment at cost	(1,180,638)
Accumulated depreciation	19,569

(a) vi) Correction of error - Asset items not disposed from asset register during prior periods

During the asset verification process it was discovered that, in periods before 2008/2009, a number of asset items were disposed of, but the disposals were not accounted for and these items were not removed from the asset register. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	1,348,535
(Decrease) in Assets 30 June 2008 (opening balance 2008/2009)	(1,348,535)
Property, Plant and Equipment at cost	(2,802,423)
Accumulated depreciation	1,453,888
Increase/(decrease) in Depreciation and Amortisation	(209,408)
Decrease/(Increase) in surplus for the year ended 30 June 2009	(209,408)
(Decrease) in Assets	(1,139,127)
Property, Plant and Equipment at cost	(2,802,423)
Accumulated depreciation	1,663,296

(a) vii) Correction of error - Asset items not recognised during prior periods

During the asset verification process it was discovered that a number of asset items were never recognised or included in the asset register in periods before 2008/2009. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	(1,028,205)
Increase in Assets 30 June 2008 (opening balance 2008/2009)	1,028,205
Property, Plant and Equipment at cost	3,203,472
Accumulated depreciation	(2,175,267)
Increase/(decrease) in Depreciation and Amortisation	541,284
Decrease/(Increase) in surplus for the year ended 30 June 2009	541,284
Increase in Assets	486,921
Property, Plant and Equipment at cost	3,203,472
Accumulated depreciation	(2,716,551)

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

(a) viii) Correction of error - Planning fees capitalised

During the 2008/2009 financial period, fees for planning construction of a road for the Chatsworth bus route was capitalised as part of PPE (work in process). A management decision was subsequently taken not to proceed with construction of the road and no asset will therefore be completed regarding these planning fees. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Increase/(decrease) in General expenses	597,300
<i>Other</i>	597,300
Decrease/(Increase) in surplus for the year ended 30 June 2009	597,300
(Decrease) in Assets	(597,300)
<i>Property, Plant and Equipment at cost</i>	(597,300)
<i>Accumulated depreciation</i>	-

(a) ix) Correction of error - Inventory items not recognised during prior periods

During the current period inventory count it was discovered that a number of inventory items such as pipes and cables were never recognised as inventory in periods before 2008/2009. Although they are slow-moving, these items are currently held as materials or supplies to be consumed or distributed in the rendering of services. In addition, the municipality became aware of certain properties held for resale, which were not previously recognised. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	(928,069)
Increase in Inventory 30 June 2008 (opening balance 2008/2009)	928,069
<i>Consumable stores</i>	857,519
<i>Unsold properties held for resale</i>	70,550

(a) x) Correction of error - Inventory items carried at amounts exceeding cost

During the current period, the municipality became aware of certain properties held for resale, which were carried at amounts exceeding cost as at 30 June 2009. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	63,586
(Decrease) in Inventory 30 June 2008 (opening balance 2008/2009)	(63,586)
<i>Unsold properties held for resale</i>	(63,586)

(a) xi) Correction of error - Annual Financial Statements amounts for Intangible assets and Investment property

During preparation of the prior period AFS, amounts for "unbundling" were erroneously not removed from the movement for the year for Intangible assets and Investment properties, and these amounts were included in the AFS carrying amounts as at 30 June 2009. The AFS amounts however did not reflect the actual balances in the IA register and the IP register as at 30 June 2009. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease in Accumulated Surplus in Statement of Changes in net assets 30 June 2009	1,062,054
Increase/(decrease) in Depreciation and Amortisation	(6,820)
Decrease/(Increase) in surplus for the year ended 30 June 2009	(6,820)
(Decrease) in Intangible assets 30 June 2009	(14,702)
(Decrease) in Investment property 30 June 2009	(1,040,532)

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

(a) xii) Correction of error - Accrual for UIF

In terms of a legal opinion obtained by the AGSA, UIF should be deducted from councillors' salaries and paid over to the UIF, while management was previously advised that the Act is not applicable to Councillors remuneration. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	105,792
Increase/(decrease) in Employee costs	29,085
Decrease/(Increase) in surplus for the year ended 30 June 2009	<u>134,877</u>
(Increase) in Creditors 30 June 2009	(269,754)
Increase in Other debtors 30 June 2009	134,877

(b) (i) Change in accounting policy - Early adoption of exempted provisions of GRAP 17

The municipality previously applied the transitional provisions of GRAP 17 in accordance with Directive 4, regarding measurement of PPE (including impairment, depreciation method, useful life and residual value). The transitional provision allowed entities a period of up to three years from the date of initial adoption of GRAP 17 on Property, Plant and Equipment to comply in full with its measurement requirements, per class of assets. Componentisation is an essential part of the measurement of an asset, and the municipality had embarked on a project for the componentisation (unbundling) of its assets. During the current year the consulting engineers, AURECON, finalised the process of itemising and valuing assets in order to comply with MFMA Circular 18 of 2005, and the Guidelines on implementation of approved standards of generally recognised accounting practice of 2005. The fair value of assets were determined using the depreciated replacement cost approach. In consultation with National Treasury, and in terms of the ASB's Directive 7 it has been established that the fair values determined is not a revaluation, but a deemed cost to be depreciated during the remaining useful lives of these assets.

Impairment and the remaining useful lives of assets were also taken into consideration by the consulting engineers during the process of identifying and unbundling of Infrastructure assets and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values of Infrastructure assets are disclosed.

Swartland Municipality has therefore fully applied GRAP 17 for the first time during the financial year 2009/2010 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. The change in policy has been applied retrospectively and the effect thereof is as follows:

	Total of adjustment 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	(1,219,054,300)
Increase in Assets 30 June 2008 (opening balance 2008/2009)	1,219,054,300
Property, Plant and Equipment at cost	1,834,985,526
Accumulated depreciation	(615,931,226)
Decrease/(increase) in Revenue	(155,000)
Other revenue	(155,000)
Increase/(decrease) in Depreciation and Amortisation	45,894,739
Decrease/(Increase) in surplus for the year ended 30 June 2009	<u>45,739,739</u>
Increase in Assets	1,173,314,561
Property, Plant and Equipment at cost	1,835,140,525
Accumulated depreciation	(661,825,964)

(b) ii) Change in accounting policy - Early adoption of exempted provisions of GRAP 16

The municipality previously applied the transitional provisions of GRAP 16 in accordance with Directive 4, regarding measurement of Investment property. The transitional provision allowed entities a period of up to three years from the date of initial adoption of GRAP 16 on Investment property to comply in full with its measurement requirements. The municipality had appointed consultants during the previous financial period to perform a land audit to ensure appropriate identification and measurement (deemed cost at fair value) of its Investment property land and buildings. During the current year the consultants had reviewed the properties identified.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

(b) ii) Change in accounting policy - Early adoption of exempted provisions of GRAP 16 (continued)

Swartland Municipality has fully applied GRAP 16 for the first time during the financial year 2009/2010 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. The change in policy has been applied retrospectively and the effect thereof is as follows:

	Total of adjustment 2009
Decrease/(increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	(9,687,523)
Increase in Assets 30 June 2008 (opening balance 2008/2009)	9,687,523
Investment property at cost	4,695,323
Accumulated depreciation	4,992,200
Increase in Assets	9,687,523
Investment property at cost	4,695,323
Accumulated depreciation	4,992,200

As a result of the above errors and change in accounting policy, the prior period revenue, surplus for the year and balances are restated as follows:

(i) Adjustment of revenue and surplus for the year

	Note	Previously reported	Amount of adjustment	Restated
REVENUE				
Property rates	23	48,024,811	(61,831)	47,962,980
Service charges	24	130,482,552	406,856	130,889,408
Rental of facilities and equipment	26	1,963,920	750	1,964,670
Interest earned - cash deposits	25	18,327,478	-	18,327,478
Interest earned - outstanding debtors	25	1,411,807	(20,759)	1,391,048
<i>Fines</i>		3,653,893	-	3,653,893
<i>Licences and permits</i>		2,602,940	-	2,602,940
<i>Income for agency services</i>		2,356,737	-	2,356,737
<i>Conditional Government grants and subsidies</i>	27	29,595,415	-	29,595,415
<i>Unconditional Government and other grants</i>		14,676,000	-	14,676,000
<i>Other revenue</i>	28	8,736,014	289,583	9,025,597
Sale of Land Inventories		15,834,497	-	15,834,497
Revenue on sale of land		18,391,720	-	18,391,720
Cost of land sold		2,557,223	-	2,557,223
Increase/(Decrease) in Revenue		277,666,064	614,599	278,280,663
EXPENDITURE				
Employee related costs	29	75,075,058	-	75,075,058
Remuneration of Councillors	30	4,893,100	29,085	4,922,185
Impairment loss	20/21	999,258	-	999,258
Depreciation and Amortisation	31	18,604,766	46,200,226	64,804,992
Repairs and maintenance		13,710,041	-	13,710,041
Interest paid	32	5,351,452	-	5,351,452
Bulk purchases	33	59,784,449	-	59,784,449
Contracted services		2,798,307	-	2,798,307
Grants and subsidies paid	34	1,210,338	-	1,210,338
General expenses	36	49,835,206	1,063,755	50,898,961
Loss on disposal of property, plant and equipment		23,448	-	23,448
Increase/(Decrease) in Expenditure		232,285,423	47,293,066	279,578,489
Increase/(Decrease) in surplus for the year ended 30 June 2009		45,380,641	(46,678,467)	(1,297,826)

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

(ii) Adjustment of opening balances

NET ASSETS

Accumulated Surplus 1 July 2008	386,908,149	1,228,402,529	1,615,310,678
<i>Capitalised electricity network - Riebeeck Kasteel</i>		(777,655)	
<i>Assets recognised</i>		1,028,205	
<i>Asset disposals</i>		(1,348,535)	
<i>Inventory recognised</i>		928,069	
<i>Inventory written down</i>		(63,586)	
<i>Unbundling/componentisation of PPE</i>		1,219,054,300	
<i>Recognition and measurement of Investment property</i>		9,687,523	
<i>UIF contribution accrual</i>		(105,792)	

ASSETS

PPE 1 July 2008	292,973,045	1,217,956,315	1,510,929,360
<i>Cost</i>	1,133,499,843	1,834,608,920	2,968,108,763
<i>Accumulated depreciation</i>	(840,526,798)	(616,652,605)	(1,457,179,403)
Inventory 1 July 2008	7,588,487	864,483	8,452,970
Other debtors 1 July 2008	4,707,731	105,792	4,813,523
Creditors 1 July 2008	33,163,139	211,584	33,374,723
Investment property 1 July 2008	23,801,779	9,687,523	33,489,302
<i>Cost</i>	29,841,074	4,695,323	34,536,397
<i>Accumulated depreciation</i>	(6,039,295)	4,992,200	(1,047,095)

Total effect of adjustments to opening balances 1 July 2008

-

(iii) Adjustment against surplus for the year ended 30 June 2009	45,380,641	(46,678,467)	(1,297,826)
(iv) Adjustment in Statement of Changes in net assets 30 June 2009	1,062,054	(1,062,054)	-
Total effect of adjustments against accumulated surplus as at 30 June 2009 (ii), (iii) and (iv)	432,750,474	1,180,662,008	1,613,412,482

(v) Adjustment of balances - assets and liabilities - as at 30 June 2009

Increase/(decrease) in Property, Plant and Equipment	325,685,117	1,170,903,986	1,496,589,103
<i>Cost</i>	1,184,430,745	1,833,763,636	3,018,194,381
<i>Accumulated depreciation</i>	(858,745,628)	(662,859,650)	(1,521,605,278)
Increase/(decrease) in Intangible assets	114,155	(14,702)	99,453
Increase/(decrease) in Investment property	24,645,091	8,646,991	33,292,082
	29,694,704	4,695,323	34,390,027
	(5,049,613)	3,951,668	(1,097,945)
Increase/(decrease) in Consumer debtors	25,013,873	(213,755)	24,800,118
<i>Rates</i>	5,679,223	(82,247)	5,596,976
<i>Electricity</i>	11,540,290	46,619	11,586,909
<i>Water</i>	3,494,376	(185,942)	3,308,434
<i>Sewerage</i>	2,381,591	12,719	2,394,310
<i>Refuse removal</i>	1,863,809	(4,904)	1,858,905
<i>Housing rentals</i>	54,584	-	54,584
Increase/(decrease) in Other Debtors	2,584,176	270,210	2,854,386
<i>Sundry debtors</i>		270,210	
Increase/(decrease) in Inventory	4,112,913	864,483	4,977,396
Increase/(decrease) in creditors	35,396,214	(204,795)	35,191,419
<i>Trade creditors</i>		336,908	
<i>Payments received in advance</i>		(541,703)	

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

54. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

RECONCILIATION OF ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERRORS:

NET ASSETS AND LIABILITIES

Net assets	435,578,503	1,180,662,008	1,616,240,511
Housing Development Fund	2,828,029	-	2,828,029
Accumulated Surplus/(Deficit)	432,750,474	1,180,662,008	1,613,412,482
Non-current liabilities	91,599,038	-	91,599,038
Long-term liabilities	67,361,960	-	67,361,960
Provision for post- retirement medical aid benefits	21,134,252	-	21,134,252
Other non-current provisions	3,102,826	-	3,102,826
Current liabilities	56,549,322	(204,795)	56,344,527
Consumer deposits	4,897,668	-	4,897,668
Provisions	1,400,370	-	1,400,370
Creditors	35,396,214	(204,795)	35,191,419
Unspent conditional grants and receipts	11,534,086	-	11,534,086
Current portion of long-term liabilities	3,320,984	-	3,320,984
Total Net Assets and Liabilities	583,726,863	1,180,457,213	1,764,184,076
ASSETS			
Non-current assets	351,079,684	1,179,536,275	1,530,615,959
Property, plant and equipment	325,685,117	1,170,903,986	1,496,589,103
Intangible Assets	114,155	(14,702)	99,453
Investment property	24,645,091	8,646,991	33,292,082
Long-term receivables	276,327	-	276,327
Finance lease receivables	358,994	-	358,994
Current assets	232,647,179	920,938	233,568,117
Inventory	4,112,913	864,483	4,977,396
Consumer debtors	25,013,873	(213,755)	24,800,118
Other debtors	2,584,176	270,210	2,854,386
VAT	3,031,112	-	3,031,112
Operating lease asset	8,104	-	8,104
Current portion of long-term receivables	56,891	-	56,891
Current portion of finance lease receivables	74,069	-	74,069
Bank balances and cash	197,766,041	-	197,766,041
Total Assets	583,726,863	1,180,457,213	1,764,184,076

APPENDIX A**SWARTLAND MUNICIPALITY**
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

	Loan Number	Redeemable	Balance at 30/06/2009	Received during the period	Interest capitalised during the period	Redeemed written off during the period	Balance 30/06/2010
EXTERNAL LOANS							
LONG- TERM LOANS							
Development Bank		31/03/2018	3,422,347	-	92,781	321,153	3,193,975
Development Bank		31/12/2018	5,370,747	-	-	276,870	5,093,877
Development Bank		30/06/2020	577,489	-	-	52,499	524,990
INCA		31/12/2013	13,705,668	-	-	2,475,515	11,230,153
Development Bank		31/03/2029	44,105,428	-	1,029,192	992,328	44,142,292
Development Bank		31/03/2024	2,313,190	-	54,534	51,190	2,316,534
Total Long- Term Loans			69,494,869	-	1,176,507	4,169,555	66,501,821
LEASES							
Sunlyne Rentals			24,150	-	-	-	24,150
CTC Finance			260,890	-	-	-	260,890
Minoltafin			903,035	99,750	-	296,324	706,461
Total leases			1,188,075	99,750	-	296,324	991,501
TOTAL EXTERNAL LOANS			70,682,944	99,750	1,176,507	4,465,879	67,493,322

APPENDIX B**SWARTLAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	51,869,147	125,654	-	8,786	51,986,015	-	-	-	-	51,986,015
Buildings	205,390,258	2,257,003	-	-	207,647,261	143,638,164	6,271,542	-	149,909,706	57,737,555
	257,259,405	2,382,657	-	8,786	259,633,276	143,638,164	6,271,542	-	149,909,706	109,723,570
Infrastructure										
Drains	-	-	-	-	-	-	-	-	-	-
Roads	996,333,973	19,206,083	1,848,113	-	1,017,388,169	428,209,553	24,275,914	-	452,485,467	564,902,702
Beach Improvements	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	483,396,948	2,438,160	718,569	-	486,553,677	264,322,388	9,751,397	-	274,073,785	212,479,892
Electricity Mains	355,170,206	-	-	-	355,170,206	129,631,001	7,383,997	-	137,014,998	218,155,208
Electricity Peak Load Equipment	132,897,961	2,908,423	698,778	-	136,505,162	46,737,042	2,923,601	-	49,660,643	86,844,519
Water Mains and Purification	-	-	-	-	-	-	-	-	-	-
Reservoirs - Water	112,857,662	-	-	-	112,857,662	70,223,028	1,583,406	-	71,806,434	41,051,228
Water Meters	30,000	-	-	-	30,000	4,960	996	-	5,956	24,044
Water Mains	492,486,870	309,010	2,084,855	-	494,880,735	316,053,847	8,684,619	-	324,738,466	170,142,269
Landfill Sites	2,644,108	-	-	-	2,644,108	1,371,137	76,854	-	1,447,991	1,196,117
	2,575,817,728	24,861,676	5,350,315	-	2,606,029,719	1,256,552,956	54,680,784	-	1,311,233,740	1,294,795,979
Community Assets										
Parks and Gardens	2,295,520	-	-	-	2,295,520	1,652,897	54,889	-	1,707,786	587,734
Libraries	22,361,658	-	-	-	22,361,658	15,357,820	841,416	-	16,199,236	6,162,422
Recreation Grounds	25,292,668	701,578	-	-	25,994,246	17,118,757	734,242	-	17,852,999	8,141,247
Civic Buildings	85,735,341	-	-	-	85,735,341	65,269,983	2,402,791	-	67,672,774	18,062,567
	135,685,187	701,578	-	-	136,386,765	99,399,457	4,033,338	-	103,432,795	32,953,970
Heritage Assets										
Historical Buildings	586,266	-	-	-	586,266	452,651	16,546	-	469,197	117,069
Painting and Art Galleries	-	-	-	-	-	-	-	-	-	-
	586,266	-	-	-	586,266	452,651	16,546	-	469,197	117,069
Housing Rental Stock										
Housing Rental 1	764,263	-	-	-	764,263	136,021	25,475	-	161,496	602,767
Housing Rental 2	823,002	-	-	-	823,002	744,621	39,190	-	783,811	39,191
	1,587,265	-	-	-	1,587,265	880,642	64,665	-	945,307	641,958
Total carried forward	2,970,935,851	27,945,911	5,350,315	8,786	3,004,223,291	1,500,923,870	65,066,875	-	1,565,990,745	1,438,232,546

APPENDIX B

SWARTLAND MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010 (continued)

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Total brought forward	2,970,935,851	27,945,911	5,350,315	8,786	3,004,223,291	1,500,923,870	65,066,875	-	1,565,990,745	1,438,232,546
Leased Assets (Infrastructure)										
Sewerage Mains and Purify	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Other Assets										
Office Equipment	5,010,262	1,301,058	-	34,016	6,277,304	2,178,622	924,146	33,051	3,069,717	3,207,587
Furniture and Fittings	3,763,413	368,052	-	20,087	4,111,378	2,465,510	485,672	14,605	2,936,577	1,174,801
Bins and Containers	1,689,127	897,327	-	-	2,586,454	619,781	121,754	-	741,535	1,844,919
Emergency Equipment	648,752	-	-	-	648,752	28,991	44,369	-	73,360	575,392
Motor Vehicles	21,564,548	4,787,658	-	1,823,492	24,528,714	8,774,455	2,089,805	1,424,546	9,439,714	15,089,000
Fire Engines	868,430	-	-	-	868,430	118,428	33,111	-	151,539	716,891
Refuse Tankers	6,388,112	-	-	-	6,388,112	2,295,730	542,138	-	2,837,868	3,550,244
Computer Equipment	5,934,946	830,616	-	20,032	6,745,530	3,765,688	848,659	17,632	4,596,715	2,148,815
	45,867,590	8,184,711	-	1,897,627	52,154,674	20,247,205	5,089,654	1,489,834	23,847,025	28,307,649
Leased Assets										
Office Equipment	1,390,940	87,500	-	-	1,478,440	434,203	284,997	-	719,200	759,240
	1,390,940	87,500	-	-	1,478,440	434,203	284,997	-	719,200	759,240
Total: Property, Plant and Equipment	3,018,194,381	36,218,122	5,350,315	1,906,413	3,057,856,405	1,521,605,278	70,441,526	1,489,834	1,590,556,970	1,467,299,435

ANALYSIS OF INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	34,390,027	885,364	-	275,385	35,000,006	1,097,945	50,850	-	1,148,795	33,851,211
Intangible Assets	143,497	3,435	-	-	146,932	44,044	25,170	-	69,214	77,718
Total	34,533,524	888,799	-	275,385	35,146,938	1,141,989	76,020	-	1,218,009	33,928,929
Grand Total	3,052,727,905	37,106,921	5,350,315	2,181,798	3,093,003,343	1,522,747,267	70,517,546	1,489,834	1,591,774,979	1,501,228,364

APPENDIX C**SWARTLAND MUNICIPALITY**
SEGMENTAL ANALYSIS OF ASSETS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Cemeteries	5,110,619	34,800	-	-	5,145,419	3,482,407	206,617	-	3,689,024	1,456,395
Corporate Services	4,053,919	225,003	-	97,289	4,181,633	2,264,061	622,346	70,099	2,816,308	1,365,325
Development Services	682,353	36,863	-	6,500	712,716	223,291	126,051	6,500	342,842	369,874
Electricity	486,058,399	4,057,960	698,778	48,665	490,766,472	175,819,162	10,398,682	34,845	186,182,999	304,583,473
Financial Services	5,172,703	1,534,619	-	23,243	6,684,079	1,722,551	1,077,139	19,975	2,779,715	3,904,364
Fire Fighting	1,458,514	2,645	-	72,771	1,388,388	478,206	76,797	50,940	504,063	884,325
Housing	1,589,895	-	-	-	1,589,895	881,692	65,191	-	946,883	643,012
Libraries	361,065	285,331	-	-	646,396	182,457	74,906	-	257,363	389,033
Municipal Property	352,238,442	1,424,274	-	284,171	353,378,545	202,540,186	7,868,141	-	210,408,327	142,970,218
Parks and Recreational	4,370,812	1,960,355	-	1,724	6,329,443	2,916,978	264,778	1,146	3,180,610	3,148,833
Protection Services	2,456,450	644,973	-	403,194	2,698,229	1,227,272	363,496	284,361	1,306,407	1,391,822
Refuse Removal	31,461,700	2,556,209	-	306,050	33,711,859	11,346,441	1,420,472	240,418	12,526,495	21,185,364
Roads and Stormwater	1,010,005,492	20,022,546	1,848,113	803,882	1,031,072,269	431,251,365	25,504,690	667,387	456,088,668	574,983,601
Sewerage	491,721,080	2,453,661	718,569	134,309	494,759,001	270,687,457	10,280,029	114,163	280,853,323	213,905,678
Sportsgrounds	47,195,854	124,385	-	-	47,320,239	29,326,151	1,607,378	-	30,933,529	16,386,710
Water	608,790,608	1,743,297	2,084,855	-	612,618,760	388,397,590	10,560,833	-	398,958,423	213,660,337
TOTAL	3,052,727,905	37,106,921	5,350,315	2,181,798	3,093,003,343	1,522,747,267	70,517,546	1,489,834	1,591,774,979	1,501,228,364

APPENDIX D**SWARTLAND MUNICIPALITY****SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

2009	2009	2009		2010	2010	2010
Restated	Restated	Restated		Actual	Actual	Surplus/
Actual	Actual	Surplus/		Income	Expenditure	(Deficit)
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
502,700	20,102,661	(19,599,961)	Executive and Council	481,862	16,511,117	(16,029,255)
127,022,538	57,817,112	69,205,426	Finance and Administration	142,816,635	87,318,070	55,498,565
903,426	6,078,847	(5,175,421)	Planning and Development	1,283,465	5,636,899	(4,353,434)
728,690	8,519,057	(7,790,367)	Community and Social Services	1,392,223	7,763,052	(6,370,829)
2,079,809	1,694,914	384,895	Housing	266,239	1,608,618	(1,342,379)
10,057	13,146,095	(13,136,038)	Public Safety	6,432,193	14,943,684	(8,511,491)
1,766,329	10,067,985	(8,301,656)	Sport and Recreation	2,216,514	11,293,407	(9,076,893)
-	-	-	Environmental Protection	-	-	-
17,143,112	18,549,640	(1,406,528)	Waste Water Management	22,047,507	23,050,079	(1,002,572)
12,551,152	15,713,852	(3,162,700)	Waste Management	14,473,474	15,374,025	(900,551)
9,653,685	30,786,356	(21,132,671)	Road Transport	5,250,094	43,732,227	(38,482,133)
23,378,379	27,251,998	(3,873,619)	Water	24,771,716	34,254,482	(9,482,766)
82,585,048	73,177,473	9,407,575	Electricity	104,519,298	102,227,415	2,291,883
14,621	844,759	(830,138)	Other	15,497	779,849	(764,352)
278,339,546	283,750,749	(5,411,203)	Sub Total	325,966,717	364,492,924	(38,526,207)
-	(4,172,260)	4,172,260	Less Inter- Departmental Charges	-	(4,234,840)	4,234,840
278,339,546	279,578,489	(1,238,943)	Total	325,966,717	360,258,084	(34,291,367)

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010**

REVENUE	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Property rates	52,674,367	56,772,984	(4,098,617)	(7.22)	
Service charges	160,626,419	157,294,757	3,331,662	2.12	
Rental of facilities and equipment	2,171,610	1,607,467	564,143	35.10	Income realised more than income anticipated.
Interest earned - external investments	13,376,892	12,932,010	444,882	3.44	
Interest earned - outstanding debtors	1,263,460	855,000	408,460	47.77	Income derived from interest on late payments higher than income anticipated.
Fines	6,414,556	3,335,660	3,078,896	92.30	Increased income due to improved collection of fines by appointing a new service provider.
Licences and permits	2,617,986	2,278,995	338,991	14.87	Higher demand for licences and permits.
Income for agency services	2,245,343	2,160,900	84,443	3.91	
Grants and subsidies	70,187,036	89,893,597	(19,706,561)	(21.92)	Income derived from Government Grants lower than income anticipated.
Other income	9,269,809	6,055,434	3,214,375	53.08	Income realised more than income anticipated due to an increase in demand for Industrial Sewerage, Building Plan Fees and Capital Contributions by Property Developers.
Donated Property, Plant and Equipment	2,445,949	-	2,445,949	-	
Gains on disposal of property, plant and equipment	2,673,290	110,000	2,563,290	2,330.26	Income derived from landsales higher than income anticipated due to a higher demand for vacant erven than expected.
Total Revenue	325,966,717	333,296,804	(7,330,087)	(2.20)	
EXPENDITURE					
Employee related costs	88,219,374	89,865,990	(1,646,616)	(1.83)	
Remuneration of Councillors	4,898,752	5,548,360	(649,608)	(11.71)	Increase in councillors' allowances lower than anticipated
Bad debts	1,650,879	1,749,483	(98,604)	(5.64)	
Depreciation	70,517,546	16,866,739	53,650,807	318.09	Depreciation higher than anticipated due to the implementation of GRAP 16 and 17.
Repairs and maintenance	13,484,312	15,005,945	(1,521,633)	(10.14)	
Interest paid on external borrowings	7,280,825	10,387,328	(3,106,503)	(29.91)	Raising of new loans during the year did not realise.
Bulk purchases	77,899,809	78,629,805	(729,996)	(0.93)	
Contracted services	2,789,995	3,051,040	(261,045)	(8.56)	
Grants and subsidies paid	1,157,187	1,236,060	(78,873)	(6.38)	
General expenses- other	92,359,405	98,607,348	(6,247,943)	(6.34)	
Loss on disposal of property, plant and equipment	-	-	-	-	
Total Expenditure	360,258,084	320,948,098	39,309,986	12.25	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(34,291,367)	12,348,706	(46,640,073)	(377.69)	

APPENDIX E (2)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Actual R	2010 Under Construction R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Executive and Council	160,467	-	160,467	275,000	(114,533)	(41.65)	Expenditure realised lower than expenditure anticipated due to the amount budgeted for installation of data lines not fully spent.
Finance and Administration	1,769,306	-	1,769,306	2,032,000	(262,694)	(12.93)	Expenditure realised lower than expenditure anticipated due to the amount budgeted for computer equipment not fully spent and a saving on the purchase of vehicles.
Planning and Development	2,621,213	1,813,061	4,434,274	8,349,000	(3,914,726)	(46.89)	The Chatsworth Housing project did not realise and will commence in the new financial year.
Health	-	-	-	-	-	-	
Community and Social Services	447,505	-	447,505	475,000	(27,495)	(5.79)	
Housing	-	-	-	-	-	-	
Public Safety	560,435	-	560,435	611,064	(50,629)	(8.29)	
Sport and Recreation	549,468	-	549,468	650,750	(101,282)	(15.56)	Electricity and Water connection cost for Darling swimming pool lower than anticipated
Environmental Protection	-	-	-	-	-	-	
Waste Management	16,073,190	216,568	16,289,758	17,491,136	(1,201,378)	(6.87)	
Road Transport	11,135,556	108,307	11,243,863	14,264,000	(3,020,137)	(21.17)	The Chatsworth Housing project did not realise and will commence in the new financial year.
Water	851,663	-	851,663	771,000	80,663	10.46	
Electricity	3,464,119	-	3,464,119	6,145,000	(2,680,881)	(43.63)	Expenditure realised lower than expenditure anticipated due to late delivery of electrical switchgear by an overseas supplier. Order for the equipment was placed in July 2009 and the delay was beyond the control of the Municipality.
Other	-	-	-	-	-	-	
	37,632,922	2,137,936	39,770,858	51,063,950	(11,293,092)	(22.12)	

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act Yes / No
		June	September	December	March	June	September	December	March	June	September	December	March		
Chatsworth: Transfer Fees	Provincial Department of Housing	-	-	-	-	34,285	-	-	-	-	-	-	-	None	Yes
Cleanest Town	Provincial Department of Environmental Affairs and Development Planning	-	-	-	-	42,973	-	-	-	-	-	-	-	None	Yes
Community Development Workers	Provincial Department of Local Government	-	-	-	48,000.00	8,739	6,852	21,489	7,786	-	-	-	-	None	Yes
Darling Pedestrian Route	Provincial Department of Transport and Public Works	-	-	-	-	22,453	-	-	-	-	-	-	-	None	Yes
Disaster Fund	National Department of Provincial and Local Government	89,548	-	24,000	-	106,176	215	-	-	-	-	-	-	None	Yes
Local Government Financial Management Grant	National Treasury	-	750,000	-	-	256,456	228,831	170,328	114,909	-	-	-	-	None	Yes
Housing Consumer Education Grant	Provincial Department of Housing	-	-	-	50,000	5,375	4,873	6,038	2,632	-	-	-	-	None	Yes
Housing Darling	Provincial Department of Housing / National Department of Minerals and Energy	6,816,930	9,624,732	9,521,944	-	6,002,452	10,640,283	13,416,027	411,822	-	-	-	-	None	Yes
Fifth Avenue Chatsworth	Provincial Department of Housing	-	-	-	-	-	-	9,788	773,374	-	-	-	-	None	Yes
Illinge Lethu Multipurpose Centre	Provincial Department of Social Services and Poverty Alleviation	127,500	-	-	-	58,494	53,324	29,914	34,196	-	-	-	-	None	Yes
Illinge Lethu Centre	Provincial Department of Social Services and Poverty Alleviation	-	140,000	-	-	49,602	28,881	31,988	45,646	-	-	-	-	None	Yes
Illinge Lethu Housing Project	Provincial Department of Housing	-	-	-	-	935	-	-	-	-	-	-	-	None	Yes
Kalbaskraal Housing Project (2)	Provincial Department of Housing	-	-	-	-	853,734	-	-	-	-	-	-	-	None	Yes
Library	Provincial Department of Cultural Affairs and Sport	-	559,750	114,925	229,325	236,497	-	142,262	307,630	-	-	-	-	None	Yes

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003 (continued)****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		June	September	December	March	June	September	December	March	June	September	December	March		
Masterplanning	Department of Local Government	-	-	-	150,000	-	-	-	-	-	-	-	-	None	Yes
Municipal Infrastructure Grant	National Department of Provincial and Local Government	-	4,500,000	4,175,000	-	94,662	-	71,611	13,592	-	-	-	-	None	Yes
Municipal Systems Improvement Grant	National Department of Provincial and Local Government	-	735,000	-	-	323,375	149,182	120,289	31,406	-	-	-	-	None	Yes
Performance Management	Provincial Department of Local Government	56,000	-	-	250,000	-	83,565	95,077	43,629	-	-	-	-	None	Yes
Riebeek Kasteel Extension	Provincial Department of Housing Provincial Department of Transport and Public Works	-	-	-	-	1,133,187	-	-	-	-	-	-	-	None	Yes
3 Housing Project		-	-	-	-	50,862	-	-	-	-	-	-	-	None	Yes
Riebeek Kasteel Non Motorised Transport	Provincial Department of Cultural Affairs and Sport	-	-	500,000	-	295,989	7,615	21,756	47,210	-	-	-	-	None	Yes
Sport Development	West Coast District Municipality	-	-	-	100,000	-	12,636	87,364	-	-	-	-	-	None	Yes
Sondeza	Provincial Department of Housing	-	-	-	-	-	-	200,813	464,118					None	Yes
Water Pipeline		-	-	-	-	-	-	-	-						
Malmesbury / Chatsworth	DBSA	-	-	-	-	-	-	-	-						
Vuna Award	Provincial Department of Transport and Public Works	-	-	-	90,000	-	-	-	-	-	-	-	-	None	Yes
Proclaimed Roads Subsidy															
Total		7,089,978	16,309,482	14,335,869	917,325	9,576,246	11,216,257	14,424,744	2,297,950	-	-	-	-		

*** Reasons for non- compliance**

No expenditure was incurred in this financial year. The funding will be utilised in the next financial year.